Montgomery County Employee Retirement Plans

Comprehensive Annual Financial Report

Employees' Retirement System
Retirement Savings Plan
Deferred Compensation Plan

(*Trust Funds of Montgomery County, Maryland*)

Fiscal Year 2017
July 1, 2016 – June 30, 2017

Prepared by Montgomery County Employee Retirement Plans
101 Monroe Street, 15th Floor
Rockville, Maryland 20850

MONTGOMERY COUNTY
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GARDEZ BIEN
MARYLAND

MONTGOMERY COUNTY
EMPLOYEE RETIREMENT PLANS
Fiscal Year Ended June 30, 2017
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OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

November 1, 2017

Honorable County Executive and
Members of the Montgomery County Council

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Montgomery County, Maryland (County) Employee Retirement Plans (Plans) for the fiscal year ended June 30, 2017. This annual report is designed to assist you in understanding the structure and current status of the Plans.

FORMAL TRANSMITTAL OF THE CAFR

This report was prepared pursuant to the provisions of Section 33-51(b) of the Montgomery County Code, 2004, as amended (Code), and includes the independent auditor's report, issued by the County Council's appointed independent public accounting firm. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the plan net assets and the changes in plan net assets and financial position of the Plans; and that all disclosures necessary to enable the reader to gain the maximum understanding of the financial affairs of the Plans have been included.

PROFILE OF THE RETIREMENT PLANS

History

The Employees' Retirement System (System) was established in 1965, as a cost-sharing, multiple-employer defined benefit pension plan providing benefits to the employees of the County and other agencies or political subdivisions who elect to participate. Participating agencies and subdivisions include the following: Montgomery County Revenue Authority; Housing Opportunities Commission of Montgomery County; Town of Chevy Chase; Strathmore Hall Foundation, Inc.; Washington Suburban Transit Commission; Montgomery County Employees Federal Credit Union; and certain employees of the State Department of Assessments and Taxation; and the District Court of Maryland. The System is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and Guaranteed Retirement Income Plan (GRIP) participants. The Montgomery County Council passed legislation in FY 2009 enabling the County to establish and maintain a GRIP, a cash balance plan that is part of the System, for employees. During FY 2010, eligible County employees who were members of the Retirement Savings Plan (RSP) were granted the option to elect to participate in the GRIP, to transfer their RSP member account balance to the GRIP, and to cease being a member of the RSP. There were 5,738 active members, including 1,778 in the GRIP, and 6,516 retirees and beneficiaries participating in the System as of June 30, 2017.

The RSP was established in 1994 as a cost-sharing multiple-employer defined contribution plan providing benefits to all non-public safety and certain public safety employees hired on or after October 1, 1994. Employees covered by the System may make an irrevocable decision to transfer to the RSP. At June 30, 2017, there were 3,577 active plan members.

The Deferred Compensation Plan (DCP) was established pursuant to Section 457 of the Internal Revenue Code, as amended. During FY 1999, in accordance with Federal legislation, the assets of the County Plan were placed in trust for the sole benefit of participants and their beneficiaries.

Benefit Provisions

The benefit provisions of the System are established by the Code. The System provides for normal service retirement and early service retirement benefits for members who attain age and service requirements. The System also provides options for disability and death benefits to eligible participants. Members are vested after five years of service.

The RSP provides for immediate vesting of employee contributions, and employer contributions are vested after three years of service or upon death, disability, or reaching retirement age.

Major Initiatives

During FY 2017, the Board continued to implement portfolio adjustments which will result in further diversification of the investment portfolio and better management of the System's risk. Toward this effort, new investments were approved in the following sectors: opportunistic, global equities, private markets including: equity, debt and real assets.

INFORMATION USEFUL IN ASSESSING THE RETIREMENT PLANS' ECONOMIC CONDITION

Financial Information

Accounting System and Reports

The Plans' financial statements have been prepared under the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits, refunds and distributions are recognized when due in accordance with the terms of the Plans.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A), found on pages 15 to 19 of this report, provides a brief analysis of the financial performance of the Plans and an introduction to the financial statements of the Plans for the year ended June 30, 2017.

Investments

Montgomery County has established a Board to be responsible for the investment management of the Plans' assets for the exclusive benefit of the members and participants. The Board consists of thirteen members appointed by the County Executive and confirmed by the County Council.

In overseeing the management of the assets of the Plans, the Board has developed sound and prudent investment policies. The Board believes an appropriate balance must be struck between risks taken and returns sought to ensure the long-term health of the defined benefit plan. The Board has adopted an investment policy that works to control the extent of downside risk to which the System is exposed while maximizing the potential for long- term increases in the value of assets. To achieve this objective, System assets are allocated to a broad array of investment sectors as follows: domestic equities 19.2 percent, private equity/debt 8.6 percent, international equities 16.2 percent, global equities 3.2 percent, fixed income 23.9 percent, inflation indexed bonds 11.6 percent, opportunistic 2.9 percent, private real assets 4.9 percent, and public real assets 9.5 percent. For the twelve months ended June 30, 2017, the total return achieved by the System's investments was a gain of 12.12 percent, compared to the gain recorded by the System's benchmark index of 8.96 percent and the actuarial assumed rate of return of 7.5 percent.

Section 33-125 of the Montgomery County Code authorizes the Board to establish for members of the RSP a diversified slate of mutual and commingled investment funds from which participants may select options. The Board has developed an investment policy outlining its oversight of the investment products offered.

The Board has also established a diversified slate of mutual and commingled funds for the County Plan which offers a range of options from which participants may select. The Board has constructed an investment policy stipulating investment objectives and oversight by the Board.

Funding

The System's actuary uses a five-year smoothed market-related value to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the June 30, 2017 valuation, the actuarial value of assets was $4.0 billion and the aggregate actuarial liability was $4.2 billion, resulting in a funded status ratio of 94.4%.

The Schedule of Changes in the Employers' net pension liability and related ratios, included as Required Supplementary Information in the Financial Section, expresses the System's actuarial value of assets as a percentage of the total pension liability, providing one indication of the System's funding status on a going-concern basis. The actuary has determined that the present net asset base, expected future contributions, and investment earnings thereon, are sufficient to provide for full payment of future benefits under the entry-age normal actuarial cost method.

Internal Control Structure and Budgetary Controls

The Plans' management is responsible for maintaining internal accounting controls to provide reasonable assurance that transactions are properly authorized and recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles. We believe the internal controls in effect during the fiscal year ended June 30, 2017 adequately safeguard the Plans' assets and provide reasonable assurance regarding the proper recording of financial transactions. In addition, the Board, in conjunction with the Chief Administrative Officer, approves and actively monitors the annual budgets for each plan. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Independent Audit and Actuarial Certification

An independent auditor's report and actuarial certification are included in this report.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Montgomery County Employee Retirement Plans for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Montgomery County Employee Retirement Plans have received the Certificate of Achievement for the last sixteen consecutive years. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgements

The Plans' CAFR was prepared by the Montgomery County Employee Retirement Plans' staff in conjunction with staff support from the County's Department of Finance. I would like to express my appreciation to the employees who have worked hard throughout the year to ensure the successful operation of the Plans.

Respectfully submitted,

Timothy L. Firestine

Timothy L. Firestine
Chief Administrative Officer
Plan Administrator

BOARD OF INVESTMENT TRUSTEES

ADMINISTRATIVE ORGANIZATION

Professional Services

Actuary	Auditor	Custodial Bank
Gabriel Roeder Smith & Company	CliftonLarsonAllen LLP	The Northern Trust Company

Investment Consultants

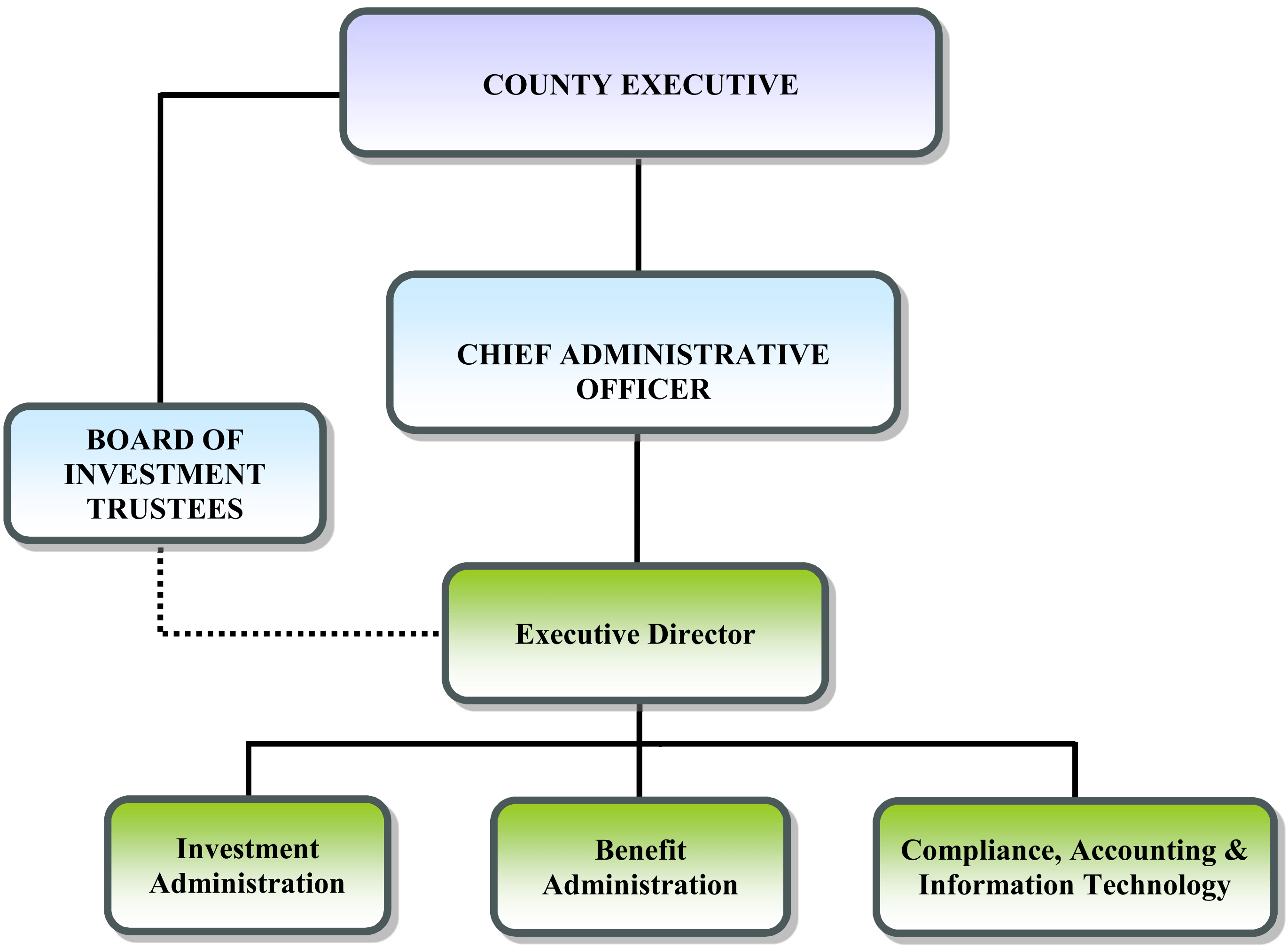
Aberdeen Asset Management, Inc.	Albourne America, LLC
Franklin Park	Wishire Associates

Investment Managers-Employees' Retirement System

Aberdeen Asset Management, Inc.	Adams Street Partners	AEW Partners
Altaris Capital Partners	Altus Capital Partners	Atlas Capital Resources
Barings	Barrow, Hanley, Mewhinney & Strauss	Bison Capital Partners
BlackRock Financial Management	Bridgewater Associates	BV Investment Partners
Carmel Partners	Castlelake	Chickasaw Capital Management
Clearlake Capital Group	CoreCommodity Management	Davidson Kempner
DW Healthcare Partners	Eagle Asset Management	EMR Capital
EnerVest Ltd.	Federal Capital Partners	First Quadrant LP
Franklin Park	Greyrock Capital Group	Grosvenor Capital Management
Gryphon International	Hampshire Companies	HarbourVest Partners
HBK Capital	Highclere International Investors LLP	Homestead Capital
Hudson Bay Capital Management LP	J.F. Lehman & Company	Jennison Associates
JP Morgan Investment Management	Juniper Capital LP	K1 Investment Management, LLC
Kimmeridge	KPS Capital Partners, LP	Landmark Partners Inc.
LBA Realty	Levine Leichtman Capital Partners	Lime Rock Resources
Loomis Sayles & Co.	Los Angeles Capital Management	Luxor Capital Partners
Lyme Timber Company	Marathon Asset Management LLP	Mason Wells
Meridian Realty Partners	MKP Opportunity Partners	Mondrian Investment Partners Ltd.
New Energy Capital	Nomura Asset Management	Odyssey Investment Partners
Pearlmark Real Estate Partners	PineBridge Investments LLC	Pomona Capital
Resource Land Holdings	RhumbLine Advisors	Riverside Partners
Sands Capital Management	Schroder Investment Management	Scopia Capital Management
Siris Capital Group LLC	Sunstone Partners	TA Associates
TA Associates Realty LLC	Thoma Bravo	WCM Investment Management
Wellington Management	Whitehorse Liquidity Partners	Wicks Group

* Public equity commission brokers are listed on page 58.

Montgomery County Employee Retirement Plans
Administrative Organization Chart



FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Honorable County Council of Montgomery County, Maryland
Board of Investment Trustees
Montgomery County Employee Retirement Plans
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the Montgomery County Employee Retirement Plans (the Plans), which comprise the statements of fiduciary net position as of June 30, 2017, and the related statements of changes in fiduciary net position for the year then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plans as of June 30, 2017, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of changes in the employers' net pension liability and related ratios, employer contributions and investment returns and related notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plans' financial statements. The schedules of administrative expenses and investment expenses and the statements of fiduciary net position and changes in fiduciary net position for the Employees' Retirement System, Retirement Savings Plan and the Deferred Compensation Plan (supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Plans' financial statements for the year ended June 30, 2016, which are presented with the accompanying financials statements. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plans' financial statements as a whole. The statements of fiduciary net position as of June 30, 2016, and the related statements of changes in fiduciary net position for the year then ended, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of fiduciary net position as of June 30, 2016, and the related statements of changes in fiduciary net position for the year then ended are fairly stated in all material respects in relation to the financial statements from which they have been derived.

The introduction, investment, actuarial, and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017, on our consideration of the Plans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Plans' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 1, 2017

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) of the Montgomery County Employee Retirement Plans (Plans) financial performance provides an introduction to the financial statements of the Plans as of and for the year ended June 30, 2017. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, it should be read in conjunction with the transmittal letter in the Introduction Section on page 4, and the financial statements, required supplementary information, and other supplementary information which follow this discussion.

REQUIRED FINANCIAL STATEMENTS

The financial statements for the Plans have been prepared under the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, promulgated by the Governmental Accounting Standards Board. The Statements of Fiduciary Net Position comprise the Plans' assets and liabilities and provide information about the nature and amount of investments, as well as the liabilities. The Statements of Changes in Fiduciary Net Position report the changes of the Plans' net position, measured by the additions by major sources and deductions by type. Comparative financial statements of the three plans are presented in the latter part of the financial section.

FINANCIAL ANALYSIS OF THE MONTGOMERY COUNTY EMPLOYEE RETIREMENT PLANS

Shown below is a condensed presentation of the net position of the Employees' Retirement System (ERS), Retirement Savings Plan (RSP), and Deferred Compensation Plan (DCP) at June 30:

Net Position
(Millions)

	ERS		RSP		DCP	
	2017	2016	2017	2016	2017	2016
Assets:						
Cash and investments	$ 4,123.6	$ 3,829.6	$ 392.3	$ 334.3	$ 389.4	$ 348.1
Receivables	21.1	41.7	1.9	1.7	1.0	0.9
Capital Assets	-	0.3	-	-	-	-
Total assets	4,144.7	3,871.6	394.2	336.0	390.4	349.0
Liabilities	211.2	230.0	0.0	0.0	-	-
Total net position	$ 3,933.5	$ 3,641.6	$ 394.2	$ 336.0	$ 390.4	$ 349.0

Shown below is a condensed summary of the changes in net position of the ERS, RSP, and DCP for the years ended June 30:

Change in Net Position
(Millions)

	ERS		RSP		DCP	
	2017	2016	2017	2016	2017	2016
Additions:						
Employer contributions	$ 95.5	$ 134.8	$ 19.8	$ 19.7	$ -	$ -
Member contributions	27.9	27.0	10.3	10.7	19.5	18.8
Net investment income (loss)	413.3	57.7	43.6	0.5	47.6	(0.1)
Total additions	536.7	219.5	73.7	30.9	67.1	18.7
Deductions:						
Benefits	235.1	230.7	-	-	-	-
Refunds	6.5	5.9	15.2	10.0	25.7	22.3
Administrative expenses	3.2	3.0	0.3	0.2	-	-
Total deductions	244.8	239.6	15.5	10.2	25.7	22.3
Total change in net position	$ 291.9	$ (20.1)	$ 58.2	$ 20.7	$ 41.4	$ (3.6)

The following schedules provide a comparative summary and an analysis of each Plan's assets, liabilities and net position, at June 30:

Employees' Retirement System
Net Position
(Millions)

	2017	2016	Percentage Change
Assets:			
Cash and investments	$ 4,123.6	$ 3,829.6	7.7 %
Receivables	21.1	41.7	(49.4)
Capital Assets	-	0.3	(100.0)
Total assets	4,144.7	3,871.6	7.1
Liabilities:			
Benefits payable and other liabilities	5.8	5.3	9.4
Obligations under securities lending agreements	205.4	224.7	(8.6)
Total liabilities	211.2	230.0	(8.2)
Total net position	$ 3,933.5	$ 3,641.6	8.0 %

The table shown above reflects an increase of $291.9 million, an 8.0 percent increase in ERS' net position during fiscal year (FY) 2017 due to the investment returns achieved by the Fund.

Retirement Savings Plan Net Position (Millions)			
	2017	2016	Percentage Change
Assets:			
Cash and investments	$ 392.3	$ 334.3	17.3 %
Receivables	1.9	1.7	11.8
Total net position	$ 394.2	$ 336.0	17.3 %

During FY 2017, net position increased 17.3 percent to $394.2 million. The change is primarily due to the strong financial markets compared to the prior fiscal year.

Deferred Compensation Plan Net Position (Millions)			
	2017	2016	Percentage Change
Assets:			
Cash and investments	$ 389.4	$ 348.1	11.9 %
Receivables	1.0	0.9	11.1
Total net position	$ 390.4	$ 349.0	11.9 %

Net position of the DCP increased 11.9 percent to $390.4 million during FY 2017. The change is attributable to the strong financial market performance during FY 2017.

ADDITIONS

The primary sources of additions for the Plans include member and employer (where applicable) contributions and investment income. The following tables compare the source and amount of additions for each Plan during FY 2017 and FY 2016.

Employees' Retirement System Contributions and Investment Income (Millions)			
	2017	2016	Percentage Change
Employer contributions	$ 95.5	$ 134.8	(29.2) %
Member contributions	27.9	27.0	3.3
Net investment income	413.3	57.7	616.3
	$ 536.7	$ 219.5	144.5 %

The decrease in employer contributions is due to changes to the assumptions used in funding the system as well as experience.

Net investment income increased by 616.3 percent during FY 2017 due to the investment returns achieved by the Fund.

The net investment income for the ERS totaled $413.3 million for FY 2017, comprised of $351.8 million in net appreciation in fair value of investments, $78.4 million in dividends and interest, $1.5 million from securities lending activities, and $18.4 million related to investment expenses. This is compared to net investment income of $57.7 million in FY 2016. The increase in investment earnings compared to the previous fiscal year is due to the strong financial markets in FY 2017.

Retirement Savings Plan
Contributions and Investment Income
(Millions)

	2017	2016	Percentage Change
Employer contributions	$ 19.8	$ 19.7	0.5 %
Member contributions	10.3	10.7	(3.7)
Net investment income	43.6	0.5	8,620.0
	$ 73.7	$ 30.9	138.5 %

The slightly lower member contributions in FY 2017 was due to a decrease in rollovers versus the prior year. The higher investment income in FY 2017 is primarily attributable to the strong financial markets during the twelve-month period.

Deferred Compensation Plan
Contributions and Investment Income
(Millions)

	2017	2016	Percentage Change
Member contributions	$ 19.5	$ 18.8	3.7 %
Net investment income (loss)	47.6	(0.1)	47,700.0
	$ 67.1	$ 18.7	258.8 %

Member contributions to the DCP were $19.5 million for FY 2017, an increase of 3.7 percent from the FY 2016 level due to higher rollover contributions.

Net investment income for the DCP totaled $47.6 million in FY17 compared to a loss of $0.1 million in the previous fiscal year. The higher level in FY 2017 is primarily due to stronger returns from the financial markets during the fiscal year.

DEDUCTIONS

The primary sources of deductions from the Plans include the payment of retiree and survivor benefits, participant refunds and distributions, and administrative expenses. The following tables show the use and amount of deductions for each plan during FY 2017 and 2016.

Employees' Retirement System
Deductions by Type
(Millions)

	2017	2016	Percentage Change
Benefits	$ 235.1	$ 230.7	1.9 %
Refunds	6.5	5.9	10.2
Administrative expenses	3.2	3.0	6.7
	$ 244.8	$ 239.6	2.2 %

During FY 2017, refunds increased slightly by $0.6 million. Administrative expenses were higher by 6.7 percent due to increased professional service related costs.

Retirement Savings Plan
Deductions by Type
(Millions)

	2017	2016	Percentage Change
Distributions	$ 15.2	$ 10.0	52.0 %
Administrative expenses	0.3	0.2	50.0
	$ 15.5	$ 10.2	52.0 %

The expenses related to the RSP are comprised of distributions and administrative costs. During FY 2017, distributions paid from the RSP increased 52 percent from the FY 2016 level due to increased terminated and/or retired employees electing to withdraw their account balance. Administrative expenses increased by 50 percent compared to FY 2016 due to higher professional service related costs.

Deferred Compensation Plan
Deductions by Type
(Millions)

	2017	2016	Percentage Change
Distributions	$ 25.7	$ 22.3	15.3 %

During FY 2017, distributions paid from the DCP increased 15.3 percent from the FY 2016 level due to employees and/or retired employees electing to withdraw their account balances.

For additional information regarding this report, please contact the Board of Investment Trustees at 240-777-8220.

MONTGOMERY COUNTY EMPLOYEE RETIREMENT PLANS
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Employees' Retirement System	Retirement Savings Plan	Deferred Compensation Plan
ASSETS			
Equity in County's pooled cash and investments	$ 86,255	$ 658,883	$ 9,285
Investments:			
Government and agency obligations	494,936,771	-	-
Municipal/Provincial obligations	8,802,535	-	-
Asset-backed securities	575,265	-	-
Corporate bonds	652,601,536	-	-
Collateralized mortgage obligations	938,220	-	-
Commerical mortgage-backed securities	1,636,717	-	-
Common and preferred stock	1,683,366,447	-	-
Mutual and commingled funds	444,710,885	391,669,152	389,445,345
Short-term investments	101,410,350	-	-
Cash collateral received under securities lending agreements	205,422,910	-	-
Real assets	191,725,989	-	-
Private equity	337,417,190	-	-
Total investments	4,123,544,815	391,669,152	389,445,345
Dividend, interest, and other receivables	14,113,462	-	-
Contributions receivable	7,025,652	1,867,028	951,708
Capital Assets	900,043	-	-
Less accumulated depreciation	900,043	-	-
Net Fixed Assets	-	-	-
Total assets	4,144,770,184	394,195,063	390,406,338
LIABILITIES			
Payable for collateral received under securities lending agreements	205,422,910	-	-
Benefits payable and other liabilities	5,841,863	37,814	-
Total liabilities	211,264,773	37,814	-
Net position restricted for pensions	$ 3,933,505,411	$ 394,157,249	$ 390,406,338

See accompanying notes to financial statements.

MONTGOMERY COUNTY EMPLOYEE RETIREMENT PLANS
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Employees' Retirement System	Retirement Savings Plan	Deferred Compensation Plan
ADDITIONS			
Contributions:			
Employer	$ 95,398,957	$ 19,782,538	$ -
Members	27,940,416	10,303,239	19,511,533
Total contributions	123,339,373	30,085,777	19,511,533
Investment income	430,251,652	43,602,878	47,589,737
Less investment expenses	18,438,444	4,929	-
Net gain from investment activities	411,813,208	43,597,949	47,589,737
Income from securities lending	2,895,806	-	-
Less securities lending expenses	1,362,310	-	-
Net income from securities lending	1,533,496	-	-
Total additions	536,686,077	73,683,726	67,101,270
DEDUCTIONS			
Retiree benefits	175,048,760	-	-
Disability benefits	50,741,385	-	-
Survivor benefits	9,334,089	-	-
Refunds and distributions	6,473,277	15,220,134	25,665,790
Administrative expenses	3,185,769	267,100	-
Total deductions	244,783,280	15,487,234	25,665,790
Net increase	291,902,797	58,196,492	41,435,480
Net position restricted for pensions			
Beginning of year	3,641,602,614	335,960,757	348,970,858
End of year	$ 3,933,505,411	$ 394,157,249	$ 390,406,338

See accompanying notes to financial statements.

INTRODUCTION

The Montgomery County Employee Retirement Plans (Plans) are offered to Montgomery County (County) employees whose eligibility to participate is based on employment status and other factors. Each of the Plans described below was established under a separate section of the Montgomery County Code (Code). The accompanying notes summarize the significant accounting policies and plan provisions for each of the Plans, including the Employees' Retirement System, a defined benefit pension plan; the Retirement Savings Plan, a defined contribution plan; and the Deferred Compensation Plan, a plan established pursuant to Section 457 of the Internal Revenue Code.

EMPLOYEES' RETIREMENT SYSTEM - Defined Benefit Pension Plan

The Montgomery County Employees' Retirement System (System or Plan) is considered part of the County's financial reporting entity and is included in the County's basic financial statements as a pension and other employee benefit trust fund. The accompanying financial statements present only the operations of the System in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to public employee retirement systems. They are not intended to present fairly the financial position and results of operations of the entire County.

The Montgomery County Council passed legislation in FY 2009 enabling the County to establish and maintain a Guaranteed Retirement Income Plan (GRIP), a cash balance plan that is part of the Plan, for employees. During FY 2010 eligible County employees who were members of the Retirement Savings Plan (RSP) were granted the option to elect to participate in the GRIP and to transfer their RSP member account balance to the GRIP and cease being a member of the RSP.

A. Plan Description and Contribution Information

Plan Membership. At June 30, 2017, the date of the latest actuarial valuation, membership in the System consisted of:

Retirees and beneficiaries receiving benefits	6,516
Terminated plan members entitled to but not yet receiving benefits	480
Active plan members	5,738

Plan Administration. The System, a cost-sharing multiple-employer defined benefit pension plan, was established in 1965 and is sponsored by the County. Eight other agencies and political subdivisions have elected to participate. The System is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and GRIP participants. All covered full-time employees of the County and participating agencies must become members of the System as a condition of employment. All covered career part-time employees of the County and participating agencies may become members on an individual basis.

Contributions. The System is a contributory plan with employees contributing a percentage of their base annual salary. Contribution rates range from 6 percent to 11.25 percent of regular earnings annually based on group classification and contributions earn interest at the rate of 4 percent per annum as specified under Section 33-39(b) of the Code. The County and each participating agency are required to contribute the remaining amounts necessary to fund the System using the actuarial basis as specified in Section 33-40 of the Code. Employee contributions for the Elected Officials' Plan are 4 percent of regular earnings.

The GRIP, as defined in Section 33-35 of the Code, requires non-public safety employees to contribute 4 percent of regular earnings up to the Social Security wage base and 8 percent above the Social Security wage base. Public safety employees are required to contribute 3 percent of regular earnings up to the Social Security wage base and 6 percent above the Social Security wage base. Section 33-40 of the Code requires the County and each participating agency to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively.

Benefit Provisions. Benefit provisions are established under the Code beginning with Section 33-35. All benefits vest at five years of service. There are different retirement groups within the System. Members enrolled before July 1, 1978, belong to either the optional non-integrated group or the optional integrated group. Members enrolled on or after July 1, 1978, belong to the mandatory integrated group. Within the groups are different retirement membership classes. The retirement group assigned depends upon the job classification of the member (i.e., non-public safety, police, fire, sheriffs and correctional staff). Normal and early retirement eligibility, the formula for determining the amount of benefit, and the cost of living adjustment varies depending upon the retirement group and retirement membership class. Normal retirement is a percentage of earnings multiplied by years of credited service. Earnings for optional non-integrated group members and optional integrated group members is defined as the high 12 months and for mandatory integrated plan members, the high 36 months. The percentage of earnings, the maximum years of credited service and the cost of living adjustment varies depending upon the retirement membership class and group. Members who retire early receive normal retirement benefits reduced by a minimum of 2 percent to a maximum of 60 percent depending on the number of years early retirement precedes normal retirement. The System provides options for disability and death benefits to eligible participants. Annual cost-of-living adjustments are provided to retirees and beneficiaries based on the percentage change in the Consumer Price Index.

Deferred Retirement Option Plans (DROP). Legislation enacted by the Montgomery County Council in November 1999 required the Chief Administrative Officer of the County to establish Deferred Retirement Option Plans, or DROP Plans, allowing any employee who is a member of a specified membership group or bargaining unit, and who meets certain eligibility requirements, to elect to "retire" but continue to work for a specified time period, during which pension payments are deferred. When the member's participation in the DROP Plan ends, the member must stop working for the County, draw a pension benefit based on the member's credited service and earnings as of the date that the member began to participate in the DROP Plan, and receive the value of the DROP Plan payoff. The assets held by the System pursuant to DROP Plans at June 30, 2017 were $22,852,158.

For members of the GRIP, employee contributions and earnings thereon vest immediately and employer contributions and earnings thereon are vested after three years of service or upon death, disability, or reaching retirement age. At separation, a participant's benefit is determined based upon the account balance which includes contributions and earnings.

B. Summary of Significant Accounting Policies

Basis of Accounting. The System's financial statements have been prepared under the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are required to be made as specified under the County Code. Benefits and refunds are recognized when due in accordance with the terms of the Plan. The cost of administering the Plan is paid by the System.

Method Used to Value Investments. Investments are stated at fair value. The fair value is generally based on quoted market prices at June 30, 2017. Fair value for private investments funds, including private equity and private real assets, is determined using unit values supplied by the fund managers, which are based upon the fund managers' appraisals of the funds' underlying holdings. Such values involve subjective judgment and may differ from amounts which would be realized if such holdings were actually sold. The fair value of limited partnership investments are based on valuations of the underlying assets of the limited partnerships as reported by the general partner. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

Equity in County's Pooled Cash and Investments. The System maintains its short-term cash with the County, which invests cash and allocates interest earned, on a quarterly basis to the System based on the System's average daily balance of its equity in pooled cash. The County's policy is to fully collateralize the cash maintained in the pool.

Capital Assets. The System reports capital assets, which include computer software, in the Statements of Fiduciary Net Position. The System defines capital assets as assets with an initial, individual cost of $10,000 or more, and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. An asset's cost basis may be adjusted after acquisition due to improvements or impairments to the asset. However, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over three years.

Accounting Changes. There were no new pronouncements adopted during the year ended June 30, 2017.

C. Net Pension Liability

The components of the net pension liability of the System as of June 30, 2017, were as follows:

Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)	Plan Fiduciary Net Position as a % of Total Pension Liability (b/a)
$4,275,474,847	$3,933,505,411	$341,969,436	92.00%

Additional information as of the latest actuarial valuation is as follows.

Valuation date	June 30, 2017
Actuarial cost method	Individual Entry Age Normal
Amortization method for funding	Level percentage of payroll, separate closed period bases for Public Safety and GRIP, single closed period amortization base for non-Public Safety.
Amortization period for funding	For Public Safety and GRIP: Initial amortization period of 20 years for the base established July 1, 2015. Initial amortization period of 20 years for subsequent bases. For non-Public Safety: Single closed amortization period of 9 years established July 1, 2015. Average amortization period of 8.3 years for total ERS.
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50% per year
Projected salary increases depending on service	3.25%-9.50%
Cost-of-living (inflation rate) adjustments	2.75% on the benefit attributable to credited service earned prior to June 30, 2011. 2.3% on the benefit attribution to credited service earned on or after July 1, 2011, reflecting the 2.5% cap.
Post-retirement Increases	Consumer Price Index - by Group
Mortality rates after retirement	RP-2014 Healthy Annuitant Mortality Table, sex-distinct for healthy mortality. Rates are set forward six years for male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvements, generational mortality improvements from 2014 using projection scale MP-2014 was used.

An experience study was conducted for the period July 1, 2009 to July 1, 2014 in September 2015. The results of the experience study have been incorporated into the financial statements where applicable. An actuarial experience study is conducted every five years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the System's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equities	4.75 %
International Equities	4.75
Emerging Market Equities	4.75
Global Equities	4.95
Private Equity	6.60
Credit Opportunities	5.05
Long Duration Fixed Income	2.05
High Yield Bonds	3.15
Global ILs	0.94
Private Real Assets	6.36
Public Real Assets	4.25
Hedge Funds	4.38
Cash	-0.30

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from the County and other participating agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the System calculated using the discount rate of 7.5%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability	$819,893,766	$341,969,436	$(62,217,968)

D. Trustees of the Plan

The County established a Board of Investment Trustees (Board) for the System to be responsible for the investment management of the System's assets for the exclusive benefit of the members. The Board consists of thirteen members appointed by the County Executive and confirmed by the County Council.

E. Investments

Section 33-61C of the Code, authorizes the Board to act with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purposes. The Code also requires that such investments be diversified so as to minimize the risk of large losses unless it is clearly not prudent to diversify under the circumstances. The Board has adopted an investment policy that works to control the extent of downside risk to which the System is exposed while maximizing the potential for long term increases in the value of assets. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board believes that risks can be managed, but not eliminated, by establishing constraints on the investment portfolios and by monitoring the financial markets, the System's asset allocation and the investment managers hired by the System. Each investment manager has a specific benchmark and investment guidelines appropriate for the type of investments they are managing.

The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation	
Domestic Equities	14.40	%
International Equities	11.50	
Emerging Market Equities	2.90	
Global Equities	3.20	
Private Equity	11.00	
Credit Opportunities	4.00	
Long Duration Fixed Income	10.50	
High Yield Bonds	8.00	
Global ILs	12.00	
Private Real Assets	10.00	
Public Real Assets	6.50	
Hedge Funds	5.00	
Cash	1.00	
Total	100.00	%

Rate of Return. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2017 was 11.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurement. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level I measurements) and the lowest priority to unobservable inputs (level III measurements).

Level I– Unadjusted quoted prices for identical assets or liabilities in active markets.
Level II – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets are not active; and model-derived valuations in which all significant inputs are observable.
Level III – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table on the next page shows the fair value leveling of the System's investments.

	6/30/2017	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III
Investments by fair value level				
Debt securities				
Government and agency obligations	$ 195,532,013	$ -	$ 192,199,493	$ 3,332,520
Municipal/Provincial obligations	8,802,535	-	8,802,535	-
Asset-backed securities	575,265	-	575,265	-
Corporate bonds	591,342,374	-	590,984,522	357,852
Collateralized mortgage obligations	938,220	-	938,220	-
Commercial mortgage-backed securities	1,636,717	-	1,636,717	-
Total debt securities	798,827,124	-	795,136,752	3,690,372
Equity securities				
Consumer goods	214,426,774	213,518,144	900,244	8,386
Energy	64,948,599	64,268,217	567,619	112,763
Financial services	147,727,214	147,727,214	-	-
Health care	146,247,971	146,190,178	-	57,793
Industrials	156,823,215	156,427,187	-	396,028
Information technology	167,489,430	167,489,430	-	-
Materials	55,191,727	55,181,323	-	10,404
Telecommunication services	9,191,276	9,191,154	122	-
Utilities	11,530,097	11,529,708	389	-
Real Estate	186,378,026	186,378,026	-	-
Other	28,000	-	-	28,000
Total equity securities	1,159,982,329	1,157,900,581	1,468,374	613,374
Total investments by fair value level	1,958,809,453	$ 1,157,900,581	$ 796,605,126	$ 4,303,746
Investments measured at the net asset value (NAV)				
Commingled equity funds	526,536,888			
Commingled bond funds	361,562,206			
Commingled real asset funds	164,907,461			
Commingled funds (other)	3,787,702			
Hedge funds	271,593,748			
Private real assets	191,725,989			
Private equity/debt	337,417,190			
Total investments measured at the NAV	1,857,531,184			
Investments measured at amortized cost				
Securities lending collateral fund	205,422,910			
Short-term investments	101,410,350			
Total investments measured at amortized cost	306,833,260			
Synthetic guaranteed investments contracts measured at contract value	370,918			
Total investments	$ 4,123,544,815			
Investment derivative instruments:				
Futures contracts	$ (4,310,422)	$ (4,310,422)	$ -	
Foreign exchange contracts	526,683	-	526,683	
Total investment derivative instruments	$ (3,783,739)	$ (4,310,422)	$ 526,683	

Equity securities classified in Level I are valued using prices quoted in active markets for those securities.

Debt securities classified in Level II and Level III are valued using either a bid evaluation, or matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Level II debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Level III debt securities use proprietary information or single source pricing. Equity securities classified in Level II are securities whose values are derived daily from associated traded securities. Equity securities classified in Level III are valued with last trade data having limited trading volume. Short-term investments are cash or cash equivalents and generally include investments in money market-type securities reported at cost plus accrued interest, which approximates market or fair value.

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	$ 526,536,888	$ -	Daily, Monthly	0-15 days
Commingled bond funds	361,562,206	-	Daily	1-2 days
Commingled real asset funds	164,907,461	-	Daily, Bi-weekly, Monthly	0-5 days
Commingled funds (other)	3,787,702	-	Daily	None
Hedge funds	271,593,748	-	Monthly, Quarterly	5-125 days
Private real assets	191,725,989	89,481,294	Not eligible	N/A
Private equity/debt	337,417,190	202,204,344	Not eligible	N/A
Total investments measured at the NAV	$ 1,857,531,184	$ 291,685,638		

Commingled Bond Funds, Equity Funds and Real Asset Funds. Five bond funds, six equity funds and four real asset funds are considered to be commingled in nature. The fair value of the investments in these types of funds has been determined using the NAV per share of the investments.

Hedge Funds. The fair values of the investments in this type have been determined using the NAV per share of the investments. Nine funds are categorized in this category. All funds in this category could be subject to varying degrees of redemption restrictions based on market conditions that may impact their underlying portfolios.

Securities Lending Collateral. The System's custodian is the agent in lending the System's securities for collateral and investments are in a commingled fund.

Private Real Assets. The portfolio consists of twenty-six private real asset limited partnerships. Private real asset funds include U.S. real estate, oil and gas, timber, agriculture and other real asset investments. The fair value of these funds has been determined using the net asset values as of June 30, 2017. Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 5 to 10 years.

Private Equity/Debt. The portfolio consists of fifty-five private equity/debt limited partnerships. Private equity funds include buyout, turnaround, fund-of-funds, and growth equity investments. Private debt funds include distressed and structured equity investments. The fair value of these funds has been determined using the net asset values as of June 30, 2017. Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 3 to 10 years.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Board's investment policies and guidelines manage interest rate risk by establishing duration constraints on each fixed income manager's portfolio based on the duration of each manager's respective benchmark. Duration is a measure of interest rate risk based on a bond price's sensitivity to a 100-basis point change in interest rates. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration of eight would mean that, given a 100-basis point change up/down in rates, a bond's price would move down/up by 8 percent. As of June 30, 2017, the System's fixed income portfolio had the following sensitivity to changes in interest rates included in the table on the next page:

Type of Investment	Effective Duration in Years	Fair Value	Percentage of Portfolio
U.S. Government Obligations	16.47	$ 183,746,455	14.58 %
Foreign Government Obligations	3.83	11,785,558	0.94
Collateralized Mortgage Obligations	(1.11)	938,220	0.07
Commercial Mortgage-Backed Securities	4.41	1,636,717	0.13
Municipal/Provincial Obligations	12.96	8,802,535	0.70
Corporate Bonds	7.48	591,342,373	46.93
Asset-Backed Securities	N/A	575,265	0.05
Fixed Income Pooled Funds	N/A	360,663,922	28.62
Short-term Investments and Others *	N/A	100,491,269	7.98
Total Fixed Income Securities		$ 1,259,982,314	100.00 %

*Short-term investments consist of U.S. Treasury and government sponsored securities, money market funds, commercial paper, certificates of deposit, repurchase agreements, asset backed securities, notes and bonds issued by U.S. corporations, and other allowable instruments that meet short-term maturity or average life, diversification, and credit quality restrictions.

Credit Risk/Concentration of Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board's investment policies and guidelines limit the percentage of the total fund and individual manager's account which can be invested in fixed income securities rated below investment grade. In addition, the Board's investment policies and guidelines, for the majority of public fund managers, limit the percentage of each investment manager's account that may be allocated to any one security, position, issuer or affiliated issuer, to less than 5 percent of the fair value of the investment manager's account. The System does not have investments (other than those issued or explicitly guaranteed by the U.S. Government or pooled investments) in any one company that represents 5 percent or more of net assets.

The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2017 are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	$ 175,332,004	13.92 %
	Unrated	8,414,451	0.66
Foreign Government Obligations	AAA	4,304,069	0.34
	A	2,492,859	0.20
	BBB	1,062,510	0.08
	Unrated	3,926,120	0.32
Commercial Mortgage-Backed Securities	BB-	1,069,228	0.08
	B-	567,489	0.05
Collateralized Mortgage-Backed Securities	Unrated	938,220	0.07
Municipal/Provincial Bonds	AAA	1,720,346	0.14
	AA	5,460,125	0.42
	BBB	577,133	0.05
	B	729,700	0.06
	Unrated	315,231	0.03
Corporate Bonds	AAA	6,745,376	0.54
	AA	18,889,672	1.50
	A	94,580,151	7.51
	BBB	134,636,614	10.67
	BB	131,904,261	10.47
	B	138,675,372	11.01
	CCC	40,953,619	3.25
	CC	380,000	0.03
	C	161,230	0.01
	D	85,634	0.01
	Unrated	24,330,444	1.93
Asset-Backed Securities	Unrated	575,265	0.05
Fixed Income Pooled Funds	Unrated	360,663,922	28.62
Short-term Investments and others	Unrated	100,491,269	7.98
Total Fixed Income Securities		$ 1,259,982,314	100.00 %

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Board's International Investing Policy's objective is to achieve long-term capital appreciation and current income by investing in diversified portfolios of non-U.S. equities and bonds. The System has indirect exposure to foreign currency risk as of June 30, 2017 as follows:

International Securities	**Equity**	**Fixed Income**	**Short-term and Other**	**Total Non-U.S. Dollar**
Euro	$ 163,203,778	$ 1,244,605	$ 103,837,115	$ 268,285,498
Japanese yen	126,069,586	-	9,549,238	135,618,824
British pound sterling	81,706,075	-	38,223,163	119,929,238
Hong Kong dollar	33,161,594	-	-	33,161,594
Swiss franc	26,949,631	-	-	26,949,631
Danish krone	17,542,032	-	-	17,542,032
Singapore dollar	13,332,897	-	2,339,360	15,672,257
Mexican peso	-	5,109,327	346	5,109,673
South Korean won	4,695,370	-	-	4,695,370
Swedish krona	13,213,113	-	(9,995,154)	3,217,959
Other Currencies	24,301,289	3,441,007	(75,282,123)	(47,539,827)
Total International Securities	$ 504,175,365	$ 9,794,939	$ 68,671,945	$ 582,642,249

Derivatives. In accordance with the Board's Statement of Investment Policy and Objectives, the System regularly invests in derivative financial instruments in the normal course of its investing activities to manage exposure to certain risks within the fund. During FY 2017, the System invested directly in various derivatives including exchange-traded futures contracts, forward currency contracts, and swaps. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's Statement of Investment Policy and Objectives seeks to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. In addition, the System has indirect exposure to market and credit risk through its ownership interests in certain mutual and commingled funds which may hold derivative financial instruments. The System is not a dealer, but an end-user of these instruments.

The notional or contractual amounts of derivatives indicate the extent of the System's involvement in the various types of derivative financial instruments and do not measure the System's exposure to credit or market risk and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

As permitted by the Board's policies, the System holds off-financial statement derivatives in the form of exchange-traded financial futures, and foreign currency exchange contracts.

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specified financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay. As of June 30, 2017, the System held 131 long US Treasury futures contracts with a fair value of $18,174,734 and 145 short US Treasury futures contracts with a fair value of ($22,485,156).

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. Foreign exchange contracts contain market risk resulting from fluctuations in currency rates. The credit risk is associated with the creditworthiness of the related parties to the contracts. As of June 30, 2017, the System held $415,498,507 buy foreign exchange contracts and ($363,344,948) sell foreign exchange contracts. The unrealized gain on the System's contracts was $526,683.

Securities Lending. Board policy permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodian is the agent in lending the System's securities for collateral of 102 percent for domestic and 105 percent for international securities. The custodian receives cash, securities or irrevocable bank letters of credit as collateral. All securities loans can be terminated on demand by either the System or the borrower. Cash collateral received from the borrower is invested by the lending agent, as an agent for the System, in a short-term investment pool in the name of the System, with guidelines approved by the Board. Such investments are considered a collateralized investment pool. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of securities loans made by other plan entities that invest cash collateral in the investment pool, which the System cannot determine. The System records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of fiduciary net position. The agent indemnifies the System by agreeing to purchase replacement securities, or return the cash collateral thereof, in the event a borrower fails to return loaned securities or pay distributions thereon. There were no such failures by any borrower during the fiscal year, nor were there any losses during the period resulting from a default of the borrower or lending agent.

As of June 30, 2017, the fair value of securities on loan was $355,897,740. Cash received as collateral and the related liability of $205,422,910 as of June 30, 2017, is shown on the Statement of Fiduciary Net Position. Securities received as collateral are not reported as assets since the System does not have the ability to pledge or sell the collateral securities absent borrower default. Securities lending revenues and expenses amounting to $2,895,806 and $1,362,310, respectively, have been classified with investment income and investment expenses, respectively, in the accompanying financial statements.

The following represents the balances relating to the securities lending transactions at June 30, 2017:

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for Cash Collateral:			
Government Obligations	$ 30,535,193	$ -	$ 31,221,278
Corporate Bonds	76,295,710	-	78,069,264
Equities	93,971,296	-	96,132,368
Lent for Non-Cash Collateral:			
Government Obligations	40,484,256	41,374,381	-
Corporate Bonds	1,753,574	1,799,300	-
Equities	112,857,711	119,158,584	-
Total	$ 355,897,740	$ 162,332,265	$ 205,422,910

At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceeded the amounts the borrowers owe the System. The System is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2017, there were no funds held by a counterparty that was acting as the System's agent in securities lending transactions.

F. Capital Assets

On June 30, 2014, the Employees' Retirement System purchased a computer software system, which was depreciated using a straight-line method over three years as shown below:

	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017
Depreciable Capital Assets:				
Capital Assets	$ 300,015	$ 0	$ 300,015	$ 0

G. Allocated Insurance Contract

On August 1, 1986, the County entered into an agreement with Aetna Life Insurance Company (Aetna) wherein Aetna accepted future responsibility for monthly payments to all members retired prior to January 1, 1986, in exchange for a lump sum payment. The County is liable for cost of living increases effective January 1, 1986, and later. Monthly payments made under this agreement have not been recognized in the System's financial statements.

H. Income Taxes

The Internal Revenue Service issued a determination letter in October 2016, which stated that the System and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and are exempt from federal income taxes. In the opinion of the plan administrator, the System and its underlying trust have operated within the terms of the System and are qualified under the applicable provisions of the Internal Revenue Code.

RETIREMENT SAVINGS PLAN - Defined Contribution Pension Plan

The Montgomery County Retirement Savings Plan (Plan) is considered part of the County's financial reporting entity and is included in the County's basic financial statements as a pension and other employee benefit trust fund. The accompanying financial statements present only the operations of the Plan in conformity with GAAP. They are not intended to present fairly the financial position and results of operations of the entire County.

The Montgomery County Council passed legislation in FY 2009 enabling the County to establish and maintain a Guaranteed Retirement Income Plan (GRIP), a cash balance plan that is part of the Employees' Retirement System, for employees. During FY 2010, eligible County employees who were members of the Retirement Savings Plan (Plan) were granted the option to elect to participate in the GRIP and to transfer their Plan member account balance to the GRIP and cease being a member of the Plan.

A. Plan Description and Contribution Information

Membership. At June 30, 2017 membership in the Plan consisted of:

Active plan members	3,577
Inactive plan members	1,007

Plan Description. The Plan, a cost-sharing multiple-employer defined contribution plan, was established in 1994 and is sponsored by the County. Eight other agencies or political subdivisions have elected to participate. All non-public safety and certain public safety employees not represented by a collective bargaining agreement and hired on or after October 1, 1994 are covered by the Plan unless they elect to participate in the GRIP. Eligible employees covered by the Montgomery County Employees' Retirement System may make an irrevocable decision to transfer to this Plan.

Contributions. For fiscal year 2017, under Section 33-116 of the Code, the Plan required non-public safety employees to contribute 4 percent of regular earnings up to the Social Security wage base and 8 percent above the Social Security wage base. Public safety employees are required to contribute 3 percent of regular earnings up to the Social Security wage base and 6 percent above the Social Security wage base. Section 33-117 of the Code requires the County and each participating agency to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively. In accordance with IRS regulations and the County Code, $300,000 in accumulated revenue was used to reduce employer contributions in FY 2017.

Benefit Provisions. Employee contributions and earnings thereon vest immediately and employer contributions and earnings thereon are vested after three years of service or upon death, disability, or reaching retirement age. Members are fully vested upon reaching normal retirement (age 62) regardless of years of service. At separation, a participant's benefit is determined based upon the account balance which includes contributions and investment earnings.

B. Summary of Significant Accounting Policies

Basis of Accounting. The Plan's financial statements have been prepared under the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are required to be made as specified in the County Code. Benefits, refunds and distributions are recognized when due in accordance with the terms of the Plan. The cost of administering the Plan is paid by the County and participating agencies.

Method Used to Value Investments. Investments are stated at fair value. The fair value is based on net asset value or quoted market prices at June 30, 2017.

Equity in County's Pooled Cash and Investments. The Plan maintains its short-term cash with the County, which invests cash and allocates interest earned, on a quarterly basis to the Plan based on the Plan's average daily balance of its equity in pooled cash. The County's policy is to fully collateralize the cash maintained in the pool.

C. Trustees of the Plan

The County established a Board of Investment Trustees (Board) for the RSP to oversee the investment program. The Board consists of thirteen members appointed by the County Executive and confirmed by the County Council.

D. Investments

Section 33-125 of the Code authorizes the Board to establish a diversified slate of mutual and commingled investment funds from which participants may select an option. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2017, the fair value of the mutual and commingled investment funds was $391,669,152, of which $97,730,274 was invested in international mutual funds.

Fair Value Measurement. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level I measurements) and the lowest priority to unobservable inputs (level III measurements).

Level I– Unadjusted quoted prices for identical assets or liabilities in active markets.
Level II – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets are not active; and model-derived valuations in which all significant inputs are observable.
Level III – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the Plan's investments.

		Fair Value Measurements Using		
	6/30/2017	**Quoted Prices in Active Markets for Level I**	**Significant Other Observable Inputs Level II**	**Significant Unobservable Inputs Level III**
Investments by fair value level				
Equity securities - self directed	$ 5,550,480	$ 5,550,480	$ -	$ -
Total investments by fair value level	5,550,480	$ 5,550,480	$ -	$ -
Investments measured at the net asset value (NAV)				
Commingled equity funds	67,050,162			
Commingled bond funds	9,348,989			
Commingled funds (other)	302,323,909			
Total investments measured at the NAV	378,723,060			
Commingled Fund - Synthetic guaranteed investments contracts measured at contract value	7,395,612			
Total investments	$ 391,669,152			

Equity securities classified in Level I are valued using prices quoted in active markets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	$ 67,050,162	$ -	Daily	None
Commingled bond funds	9,348,989	-	Daily	None
Commingled funds (other)	302,323,909	-	Daily	None
Total investments measured at the NAV	$ 378,723,060	$ -		

Commingled Bond Funds, Equity Funds and Other Funds. Five bond funds and eleven equity funds are considered commingled in nature. Other commingled funds include eleven life cycle funds and one other fund. The fair value of the investments in these types of funds have been determined using the NAV per share of the investments.

E. Income Taxes

The Internal Revenue Service issued a determination letter in October 2016, which stated that the Plan and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and are exempt from federal income taxes. In the opinion of the plan administrator, the Plan and its underlying trust have operated within the terms of the Plan and are qualified under the applicable provisions of the Internal Revenue Code.

DEFERRED COMPENSATION PLAN

During FY 2005, the Montgomery County Council passed legislation enabling the County to establish and maintain one or more additional deferred compensation plans for employees covered by a collective bargaining agreement. All County non-represented employees, those County represented employees who elected to participate, and employees who were retired at the time of transfer, continue to participate in the Montgomery County Deferred Compensation Plan administered by the County (the County Plan). County represented employees who elected and all represented employees hired after March 1, 2005 participate in the newly created Montgomery County Union Employees Deferred Compensation Plan (the Union Plan) administered by the bargaining units. The purpose of these Plans is to extend to employees deferred compensation plans pursuant to Section 457 of the Internal Revenue Code of 1986, as amended.

The accompanying financial statements present only the operations of the County Plan in conformity with GAAP. They are not intended to present fairly the financial position and results of operations of the entire County. The assets of the Union Plan are not included in the accompanying financial statements since neither the County nor the Board of Investment Trustees (Board) have fiduciary or other responsibility for the Union Plan except as required by federal law, including any regulation, ruling, or other guidance issued under law.

A. Plan Description and Contribution Information

Plan Description. During 1999, in accordance with Federal legislation, the assets were placed in Trust for the sole benefit of participants and their beneficiaries. Trust responsibilities for the County Plan are assigned to the Board. The Board has a third-party administrator contract to provide investment vehicles and administrative services to plan participants. Under the County Plan, contributions are sent to the providers for different types of investments as selected by the participants. A separate account, which reflects the monies deferred, investment of the monies, and related investment earnings is maintained for each participant by the third-party administrator. Withdrawals are made upon retirement, termination of employment, death, and/or in unforeseeable emergencies.

Plan Contributions. In accordance with Section 457 of the IRC, the Plan limits the amount of an employee's annual contributions to an amount not to exceed the lesser of $18,000 in 2016 and $18,000 in 2017 or 100% of the employee's eligible compensation. The Plan also provides certain catch-up contribution provisions for participants age 50 or older and for participants within three years of their normal retirement age. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. Under Section 33-11 of the County Code, all eligible employees hired after July 1, 2008 are automatically enrolled in the Plan with a 1% contribution unless they elect out within 60 days from the date of hire. If they do not opt out of the Plan within 60 days from the date of hire, they begin making a contribution equivalent to 1% of their salary.

B. Summary of Significant Accounting Policies

Basis of Accounting. The County Plan's financial statements have been prepared under the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are made. Distributions are recognized when paid in accordance with the terms of the County Plan, and administrative costs are recognized as incurred.

Method Used to Value Investments. Investments are stated at fair value. The fair value is based on net asset value or quoted market prices at June 30, 2017.

C. Trustees of the Plan

The County established a Board to oversee the investment program of the County Plan. The Board consists of thirteen members appointed by the County Executive and confirmed by the County Council.

D. Investments

The Board is required to establish a diversified slate of mutual and commingled funds from which participants may select investment options. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2017, the fair value of the mutual and commingled investment funds was $389,445,345, of which $58,610,254 was invested in international mutual funds.

Fair Value Measurement. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level I measurements) and the lowest priority to unobservable inputs (level III measurements).

Level I– Unadjusted quoted prices for identical assets or liabilities in active markets.
Level II – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets are not active; and model-derived valuations in which all significant inputs are observable.
Level III – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the Plan's investments.

		Fair Value Measurements Using		
	6/30/2017	Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III
Investments by fair value level				
Equity securities - self directed	$ 10,431,235	$ 10,431,235	$ -	$ -
Total investments by fair value level	10,431,235	$ 10,431,235	$ -	$ -
Investments measured at the net asset value (NAV)				
Commingled equity funds	225,152,499			
Commingled bond funds	39,185,779			
Commingled funds (other)	68,828,555			
Total investments measured at the NAV	333,166,833			
Commingled Fund - Synthetic guaranteed investments contracts measured at contract value	45,847,277			
Total investments	$ 389,445,345			

Equity securities classified in Level I are valued using prices quoted in active markets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	$ 225,152,499	$ -	Daily	None
Commingled bond funds	39,185,779	-	Daily	None
Commingled funds (other)	68,828,555	-	Daily	None
Total investments measured at the NAV	$ 333,166,833	$ -		

Commingled Bond Funds, Equity Funds and Other Funds. Five bond funds and eleven equity funds are considered to be commingled in nature. Other commingled funds include eleven life cycle funds and one other fund. The fair value of the investments in these types of funds have been determined using the NAV per share of the investments.

REQUIRED SUPPLEMENTARY INFORMATION

Historical trend information about the Employees' Retirement System (System) defined benefit pension plan is presented below as required supplementary information. This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS

Fiscal year ending June 30,	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 71,688,228	$ 70,847,993	$ 74,984,370	$ 70,019,055
Interest on the Total Pension Liability	307,446,425	300,076,908	291,040,049	281,988,785
Benefit Changes	-	-	3,626,601	-
Difference between Actual and Expected Experience	(44,766,772)	(34,032,308)	602,431	-
Assumption Changes	-	-	(12,706,870)	-
Benefit Payments	(235,124,234)	(230,695,791)	(230,646,729)	(229,664,720)
Refunds	(6,473,277)	(5,887,137)	(2,874,357)	(4,329,834)
Net Change in Total Pension Liability	92,770,370	100,309,665	124,025,495	118,013,286
Total Pension Liability - Beginning	4,182,704,477	4,082,394,812	3,958,369,317	3,840,356,031
Total Pension Liability - Ending (a)	$ 4,275,474,847	$ 4,182,704,477	$ 4,082,394,812	$ 3,958,369,317
Plan Fiduciary Net Position				
Contributions - Employer	$ 95,398,957	$ 134,806,256	$ 151,301,867	$ 144,709,675
Contributions - Member	27,940,416	27,056,040	26,627,493	26,462,839
Net Investment Income	413,346,704	57,676,057	67,070,433	534,397,733
Benefit Payments	(235,124,234)	(230,695,791)	(230,646,729)	(229,664,720)
Refunds	(6,473,277)	(5,887,137)	(2,874,357)	(4,329,834)
Administrative Expense	(3,185,769)	(3,014,055)	(2,684,560)	(2,953,807)
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	291,902,797	(20,058,630)	8,794,147	468,621,886
Plan Fiduciary Net Position - Beginning	3,641,602,614	3,661,661,244	3,652,867,097	3,184,245,211
Plan Fiduciary Net Position - Ending (b)	$ 3,933,505,411	$ 3,641,602,614	$ 3,661,661,244	$ 3,652,867,097
Net Pension Liability - Ending (a) - (b)	341,969,436	541,101,863	420,733,568	305,502,220
Plan Fiduciary Net Position as a Percentage of Total Pension	92.00%	87.06%	89.69%	92.28%
Covered Payroll *	$ 444,274,516	$ 427,622,475	$ 418,728,584	$ 402,899,096
Net Pension Liability as a Percentage of Covered Employee Payroll	76.97%	126.54%	100.48%	75.83%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	$ 117,686,375	$ 117,686,375	-	$ 372,214,906	31.62 %
2009	109,567,014	109,567,014	-	376,895,171	29.07
2010	113,957,784	113,957,784	-	431,226,155	26.43
2011	109,343,933	109,343,933	-	405,336,529	26.98
2012	107,855,595	107,855,595	-	398,460,248	27.07
2013	127,887,620	127,887,620	-	395,988,026	32.30
2014	144,709,675	144,709,675	-	402,899,096	35.92
2015	151,301,867	151,301,867	-	418,728,584	36.13
2016	134,806,256	134,806,256	-	427,622,475	31.52
2017	95,398,957	95,398,957	-	444,274,516	21.47

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date:	July 1, 2016
Notes	Actuarially determined contribution rates are calculated as of July 1, 2015 which is 24 months prior to the end of the fiscal year in which contributions are reported. Assumptions were updated in the 2015 valuation, which first affects fiscal year 2017 contributions.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of pay, separate closed period bases
Remaining Amortization Period	Initial amortization period of 20 years for the base established July 1, 2015. Initial amortization period of 20 years for subsequent bases. Average amortization period of 11.7 years.
Asset Valuation Method	5-year smoothed market
Inflation	2.75% per year
Salary Increases	3.25%-9.50%
Investment Rate of Return	7.50% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition and years of service. Last updated for the 2015 valuation pursuant to an experience study of the period 2009-2014.
Mortality	RP-2014 Healthy Annuitant Mortality Table, sex-distinct for healthy mortality. Rates are set forward six years for the male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvements, generational mortality improvements from 2014 using projection scale MP-2014 was used.

Other Information:

Notes	Effective July 1, 2015, a DROP was implemented for eligible uniformed correctional officers and sworn deputy sheriffs participating in Group E. Effective July 1, 2015, updated actuarial assumptions were used in the valuation, which first affect fiscal year 2017 contributions and are summarized above.

Amortization Period (beginning with the valuation as of July 1, 2015): For Public Safety and GRIP: Initial amortization period of 20 years for the base established July 1, 2015. Initial amortization period of 20 years for subsequent bases. For non-Public Safety: Single closed amortization period of nine years established July 1, 2015.

SCHEDULE OF INVESTMENT RETURNS

Fiscal year ending June 30	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	11.65%	1.42%	2.19%	16.95%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF ADMINISTRATIVE EXPENSES
EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2017

Personnel Services:	
Salaries and wages	$ 1,341,929
Retirement contributions	76,149
Insurance	119,782
Social security	88,957
Total personnel services	1,626,817
Professional Services:	
Actuarial	176,770
Independent public accountants	40,506
Outside legal	182,168
Computer technical support	142,121
Other professional services	15,610
Total professional services	557,175
Benefit Processing:	
Disbursement services	41,161
Recordkeeping services	94,966
Disability management	418,857
Total benefit processing	554,984
Due diligence and continuing education	28,824
Office Management:	
Office equipment and supplies	117,955
Depreciation expense	300,014
Total office management	417,969
Total administrative expenses	$ 3,185,769

SCHEDULE OF INVESTMENT EXPENSES
EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2017

Investment Management Expenses:	
Aberdeen Asset Management Inc	$ 824,842
Barings	436,592
Barrow Hanley Mewhinney & Strauss LLC	546,839
BlackRock Financial Management	126,371
Bridgewater Associates	4,226,011
Chickasaw Capital Management LLC	228,876
CoreCommodity Management LLC	122,979
Eagle Asset Management	562,729
First Quadrant L.P.	577,188
Gryphon International Investment	838,215
Highclere	616,399
Jennison Associates LLC	549,793
JP Morgan Investment Management	328,292
Los Angeles Capital Management	443,561
Loomis Sayles	971,556
Marathon	1,072,185
Mondrian Investment Partners Ltd.	754,017
Nomura Asset Management	928,167
RhumbLine Advisors	15,348
Sands Capital Management	688,046
Schroder Investment Management North America Inc.	387,076
Wellington Management	659,444
Wellington Trust Company	269,376
The Northern Trust Company	434,172
Abel Noser Corp.	5,000
Institutional Limited Partnership Association	2,014
Aetna Life Insurance Company	2,831
Albourne America LLC	400,000
Bloomberg Financial Systems	17,702
Flag Capital Management LLC	558,663
Franklin Park	530,513
MSCI	11,500
Wilshire Associates	302,150
Total investment management expenses	18,438,444
Securities lending borrower rebates	1,091,993
Securities lending agent fees	270,317
Total securities lending expenses	1,362,310
Total investment expenses	$ 19,800,754

EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Equity in County's pooled cash	$ 86,255	$ 1,151,082
Investments:		
Government and agency obligations	494,936,771	403,510,670
Municipal/Provincial bonds	8,802,535	15,015,541
Asset-backed securities	575,265	3,713,101
Corporate bonds	652,601,536	709,062,527
Collateralized mortgage obligations	938,220	840,430
Commercial mortgage-backed securities	1,636,717	726,834
Common and preferred stock	1,683,366,447	1,506,763,258
Mutual and commingled funds	444,710,885	389,914,184
Short-term investments	101,410,350	94,518,574
Cash collateral received under securities lending agreements	205,422,910	224,650,451
Real assets	191,725,989	196,611,691
Private equity/debt	337,417,190	283,122,107
Total investments	4,123,544,815	3,828,449,368
Dividend, interest, and other receivables	14,113,462	32,931,237
Contributions receivable	7,025,652	8,727,701
Capital assets	900,043	900,043
Less accumulated depreciation	900,043	600,028
Net Capital Assets	-	300,015
Total assets	4,144,770,184	3,871,559,403
LIABILITIES		
Payable for collateral received under securities lending agreements	205,422,910	224,650,451
Benefits payable and other liabilities	5,841,863	5,306,338
Total liabilities	211,264,773	229,956,789
Net Position restricted for pensions	$ 3,933,505,411	$ 3,641,602,614

EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
ADDITIONS		
Contributions:		
Employer	$ 95,398,957	$ 134,806,256
Members	27,940,416	27,056,040
Total contributions	123,339,373	161,862,296
Investment Income:		
Net appreciation in fair value of investments	351,866,186	2,895,480
Dividends and interest	78,385,466	70,475,783
Total income from investment activities	430,251,652	73,371,263
Less investment expenses	18,438,444	16,862,178
Net income from investment activities	411,813,208	56,509,085
Income from securities lending	2,895,806	1,605,465
Less securities lending expenses	1,362,310	438,493
Net income from securities lending	1,533,496	1,166,972
Total additions	536,686,077	219,538,353
DEDUCTIONS		
Retiree benefits	175,048,760	171,391,248
Disability benefits	50,741,385	50,287,324
Survivor benefits	9,334,089	9,017,219
Refunds and distributions	6,473,277	5,887,137
Administrative expenses	3,185,769	3,014,055
Total deductions	244,783,280	239,596,983
Net increase (decrease) in net position	291,902,797	(20,058,630)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	3,641,602,614	3,661,661,244
Ending of year	$ 3,933,505,411	$ 3,641,602,614

RETIREMENT SAVINGS PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Equity in County’s pooled cash	$ 658,883	$ 636,194
Investments	391,669,152	333,662,465
Contributions receivable	1,867,028	1,693,054
Total assets	394,195,063	335,991,713
LIABILITIES		
Accrued expenses	37,814	30,956
Net position held in trust for pension benefits	$ 394,157,249	$ 335,960,757

RETIREMENT SAVINGS PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
ADDITIONS		
Contributions:		
Employers	$ 19,782,538	$ 19,681,949
Members	10,303,239	10,713,887
Total contributions	30,085,777	30,395,836
Investment income	42,877,670	212,203
Other income	725,208	292,437
Net investment income	43,602,878	504,640
Less investment expenses	4,929	4,908
Total additions	73,683,726	30,895,568
DEDUCTIONS		
Distributions	15,220,134	10,054,841
Administrative expenses	267,100	180,886
Total deductions	15,487,234	10,235,727
Net increase	58,196,492	20,659,841
Net position - beginning of year	335,960,757	315,300,916
Net position - end of year	$ 394,157,249	$ 335,960,757

DEFERRED COMPENSATION PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Equity in County's pooled cash	$ 9,285	$ 9,244
Investments	389,445,345	348,083,230
Contributions receivable	951,708	878,384
Net position held in trust for pension benefits	$ 390,406,338	$ 348,970,858

DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
ADDITIONS		
Contributions - members	$ 19,511,533	$ 18,760,847
Investment income (loss)	47,589,737	(62,774)
Total additions	67,101,270	18,698,073
DEDUCTIONS		
Distributions	25,665,790	22,374,067
Total deductions	25,665,790	22,374,067
Net increase (decrease)	41,435,480	(3,675,994)
Net position - beginning of year	348,970,858	352,646,852
Net position - end of year	$ 390,406,338	$ 348,970,858

INVESTMENT SECTION

Employees' Retirement System

EMPLOYEES' RETIREMENT SYSTEM

INVESTMENT PERFORMANCE, POLICY, STATISTICS AND ACTIVITY

The Board of Investment Trustees (Board), and the investment staff, are responsible for managing the $3.9 billion Employees' Retirement System (the System), invested solely in the interests of its beneficiaries. It is a significant responsibility due to the majority of the average retiree's benefit coming from investment earnings on contributions from members, the County, and participating agencies. According to Wilshire Associates, a national consulting firm, the median return among U.S. public pension plans over $1 billion in size in FY 2017 was a gain of 12.6%, gross of fees. The System's return for the fiscal year was a gain of 12.1% gross of fees, ranking third quartile in the universe. The key drivers of the performance for the twelve month period ending June 30, 2017 were the System's domestic and global equity holdings. The same study ranked the System's three-year gain of 5.5% and the five-year return of 8.9% at the median of this universe. The System's ten-year return of 6.4% ranks in the top 10% of the peer group universe. The gross return for the one-year period was above the performance benchmark established by the Board by 316 basis points, with returns for the three-year and five-year periods exceeding the performance benchmarks by 128 basis points and 156 basis points, respectively. Returns for the System are calculated on a time weighted basis (except where noted on page 52).

In the investment of public funds, adequate funding of employee retirement benefits at a reasonable and affordable cost is a paramount concern. An appropriate balance must be struck between risks taken and returns sought to ensure the long term health of the System. The Board has adopted an investment policy that works to control the extent of downside risk to which the System is exposed while maximizing the potential for long term increases in the value of assets.

Specific investment objectives include:

- To realize the actuarial assumed rate of return of 7.5 percent.
- To manage portfolio risk so as to limit potential downside fluctuations in the value of the total System assets.
- To realize as high a rate of total return as possible consistent with the above.

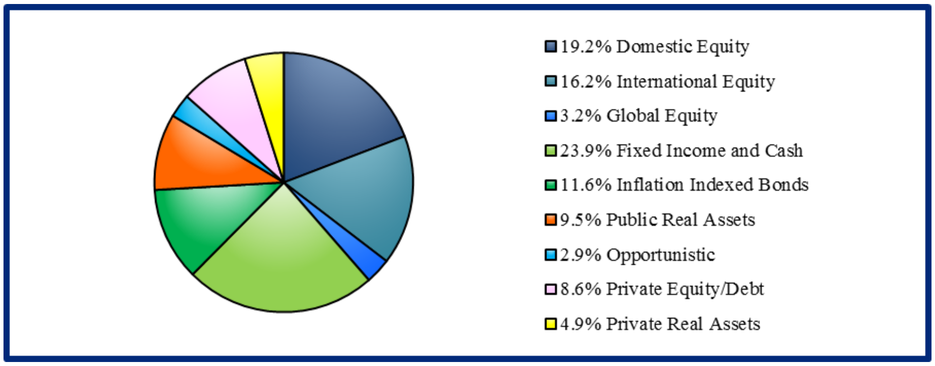
To achieve these objectives, the following investment policies are employed:

- Allocate System assets to a broad array of investment sectors and strategies.
- Maintain the asset allocation in compliance with the Board's rebalancing policy (+/- 5.0% for major asset classes and +/- 1.5% to 3.0% for sub-asset classes).
- Monitor the individual investment managers' market value to ensure compliance with the Board's Manager Funding Policy.
- Evaluate the performance of all investment managers against their specific performance and style objectives, assigned risk, and the returns achieved by other similar managers.
- Evaluate the System's overall risk exposure and modify investments through rebalancing when necessary.

During FY 2017, the Board continued to implement portfolio strategies and the hiring of investment managers which will result in further diversification of the investment portfolio and better management of the System's risk. Toward this effort, the Board approved new investments in the following sectors: opportunistic, global equities, and private markets including: equity, debt, and real assets.

The following pages reflect comments on the investment portfolio and were prepared by the Board.

ASSET ALLOCATION – JUNE 30, 2017



INVESTMENT PERFORMANCE SUMMARY

	ANNUALIZED DATA FOR PERIOD ENDING JUNE 30, 2017		
	1 Year	**3 Year**	**5 Year**
Total Fund Time-Weighted Returns			
MCERS	12.1[A] %	5.5[A] %	8.9[A] %
Policy Benchmark	9.0[A]	4.3[A]	7.4[A]
Total Domestic Equities			
MCERS	21.9	9.5	15.4
Russell 3000 Benchmark	18.5	9.1	14.6
Total Private Equities			
MCERS	19.6[B]	13.7[B]	14.0[B]
Russell 3000 + 300 Bpts Benchmark	21.1[B]	11.7[B]	18.4[B]
Total International Equities			
MCERS	22.0	3.3	9.3
Custom International Equity Benchmark	20.4	0.8	7.2
Total Global Equities			
MCERS	16.8	1.2	N/A
MSCI All Country World Benchmark	18.8	4.8	N/A
Total Private Real Assets			
MCERS	8.2[B]	10.2[B]	11.4[B]
CPI + 500 Bpts Benchmark	6.7[B]	5.9[B]	6.3[B]
Total Private Debt			
MCERS	10.0[B]	11.3[B]	N/A
BofA ML U.S. HY Cons. + 300 Bpts Benchmark	14.5[B]	9.6[B]	N/A
Total Fixed Income			
MCERS	5.1	5.3	6.5
Custom Fixed Income Benchmark	4.2	4.8	5.2
Total Opportunistic			
MCERS	4.5[C]	(0.2)[C]	3.2[C]
HFRI Fund of Funds Benchmark	6.1[C]	1.7[C]	4.0[C]
Total Public Real Assets			
MCERS	(1.5)	(5.5)	N/A
Custom Public Real Asset Benchmark	(1.1)	(5.3)	N/A
Total Global Inflation Indexed Bonds			
MCERS	5.8	7.2	7.0
Custom IIB Benchmark	0.5	5.9	4.4

Return data for the System was calculated on a time weighted basis (except where noted). Returns shown are provided by the System's custodian bank, The Northern Trust Company. Valuations are based on published national securities exchange prices, where available, and all valuations are reconciled between the various investment managers and the custodian bank. Returns are gross of fees paid to investment managers except where noted.

A: Total Fund returns utilize lagged valuations for private equity, private debt, and private real assets investments.

B: Returns computed on dollar-weighted basis and are net of investment management fees.

C: Returns computed net of investment management fees and lagged valuations.

PORTFOLIO HIGHLIGHTS

PUBLIC EQUITY

The market value of the total Public Equity Portfolio as of June 30, 2017 represented approximately 38.6% of the total Fund, split between Domestic Equity at 19.2%, International Equity at 16.2%, and Global Equity at 3.2%. The Domestic Equity Portfolio outperformed the Russell 3000 Benchmark by 3.4% for the one year ending June 30, 2017. U.S. equity markets rallied during the fiscal year finishing up in double digits. The domestic markets had a strong head start as risk assets broadly recovered following the sharp downturn after the Brexit event. U.S. stocks continued to rally after the U.S. elections when investors cheered the prospects for lower taxes and increased infrastructure spending. The markets reached all-time highs during the second half of the fiscal year, driven by positive economic reports and a solid corporate earnings season. Economic data such as employment, manufacturing activity, and consumer confidence all pointed to a stronger economy.

As of June 30, 2017, the International Equity Portfolio was allocated as follows: 71.7% EAFE, 18.4% emerging markets, and 9.9% small capitalization stocks. The International Equity Portfolio outperformed the custom international equity benchmark by 1.6% for the fiscal year ending June 30, 2017. Both the international developed and emerging markets outperformed the U.S. markets during the fiscal year posting over 20.0% gains. International developed markets experienced a strong rebound after the sharp selloff following the Brexit vote as the UK economic activity remained resilient and global central banks continued with accommodative monetary policy. Furthermore, a weakening U.S. dollar in the second half of the fiscal year provided a tailwind to performance with both the international developed and emerging markets finishing the fiscal year ahead of the U.S. markets. Emerging markets also benefited from the strong performance of the Chinese market which generated over a 30.0% return.

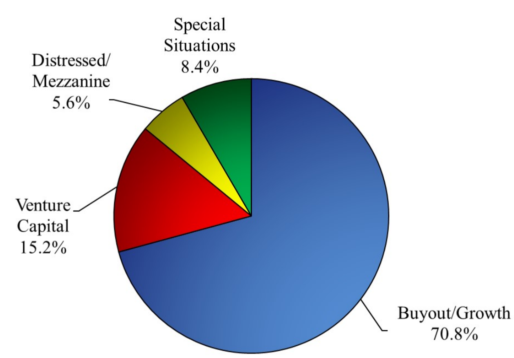
Equity: Top 15 Holdings

The top 15 holdings in the Public Equity Portfolio comprised 3.4% of ERS assets at June 30, 2017. In comparison to the top 15 holdings of last year, VISA, Facebook, Amazon.com, ING Groep, Fresenius, AIA Group, Smith (DS), Novartis, Salesforce.com, and Inditex remained while BNP Paribas, GN Store Nord, Alibaba Group, The Priceline Group, and Alphabet were added.

Equity	Shares	Value
VISA	4,170,502	$ 11,746,320
Facebook	3,455,774	11,125,867
Amazon Com	6,182,044	10,343,080
BNP Paribas	7,621,222	9,931,067
ING Groep N.V.	6,915,848	9,359,289
Fresenius SE&KGAA	1,924,519	9,331,883
AIA Group	6,736,044	9,051,762
Smith (DS)	6,949,456	8,366,583
GN Store Nord	5,683,050	8,155,071
Alibaba Group	4,819,592	8,144,020
Novartis	4,841,314	8,010,665
Salesforce Com	3,262,424	7,922,341
The Priceline Group	3,507,234	7,555,030
Alphabet	2,627,044	7,314,722
Inditex	1,727,253	6,812,583

PRIVATE EQUITY

The System began investing in private equity in 2003 to achieve returns greater than those available in the public equity markets and to gain exposure to diversified alpha sources. At June 30, 2017, the Private Equity Portfolio comprised 7.6% of total Fund assets, and approximately 74.0% of the dollars committed had been called. On a long-term basis, the Private Equity program seeks to outperform the Russell 3000 Index by 3.0%. System returns are calculated on a dollar-weighted or internal rate-of-return (IRR) basis, and the annualized return since inception (2003) through June 30, 2017 was 9.6%. By comparison, the dollar-weighted return for the Russell 3000 Index plus 3.0% for the same period was 12.2%. The return from 2009, when the System moved from fund-of-funds to a direct program, is 18.1% as of June 30, 2017 compared to the 16.8% return of the Russell 3000 plus 3.0% benchmark.



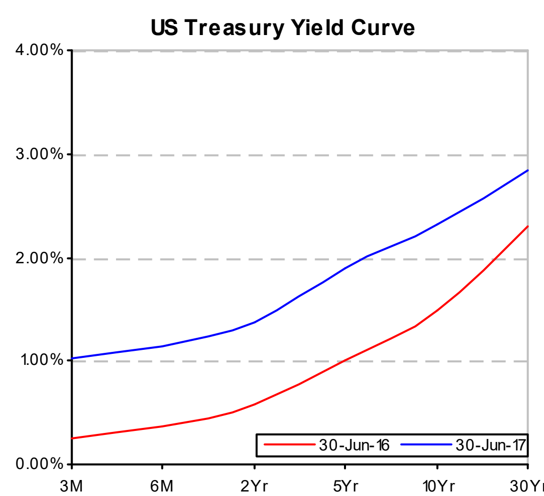
As compared to the prior fiscal year, U.S. buyout investment activity related to invested capital was down while the number of deals remained at similar levels. Buyout fundraising remained strong during the year exceeding the prior five year annual periods. Buyout exit activity continued the downward trend, which reflected the cyclical nature of the industry and return to normalcy after the record M&A activity in 2016. Purchase valuations saw a decline in the second half of the fiscal year while leverage continued to hold at the same level as the prior two years. U.S. venture investment activity slowed relative to the 2015 peaks both in terms of deals completed and dollar invested. Venture exit activity continued to gradualy decline from historical levels as companies stayed private longer due to favorable late-stage capital availability.

PRIVATE DEBT

The System began investing a portion of its portfolio in Private Debt in 2014 to target higher yielding credit opportunities and further diversify the portfolio. The market value of the Private Debt Portfolio as of June 30, 2017 represented approximately 1.0% of the total Fund, and to date, approximately 53.1% of the committed capital has been called. On a dollar weighted, or IRR basis, the annualized return since inception through June 30, 2017 was 10.8%, outperforming the benchmark index, Bank of America Merrill Lynch U.S. High Yield Master Constrained Index plus 3.0%, by 1.1%.

In a low yield environment, Private Debt continues to be an attractive segment for institutions to allocate capital. Assets under management, defined as uncalled capital commitments plus the unrealized value of portfolio assets, has quadrupled in the industry since 2006. During the fiscal year, fundraising activity remained strong with direct lending and distressed debt funds securing the majority of the newly allocated Private Debt capital. The MCERS Private Debt Portfolio primarily consists of managers who focus on lending to privately held middle-market companies in need of less dilutive forms of growth capital.

FIXED INCOME



The System invests a portion of its portfolio in fixed income securities to reduce total Fund volatility, generate income, and provide a measure of downside protection in the event of a slowing economic environment. The market value of the Fixed Income Portfolio as of June 30, 2017 represented approximately 22.7% of the total Fund. During the fiscal year, the Fixed Income Portfolio returned 5.1%, exceeding the benchmark's return of 4.2%. High yield and long duration investments represent approximately 11.0% and 10.7% of total Fund assets, respectively.

The U.S. Treasury yield curve flattened modestly; however, yields rose across all measurable points on the curve during the fiscal year. The spread between 2-year and 30-year Treasuries, a gauge of yield curve steepness, narrowed by 26 bps. The Federal Reserve has now increased short-term interest rates four times (in 25 bp increments) since December 2015, which has driven yields on the short-end of the curve higher. Yields on the curve's long-end rose dramatically in Q4 2016, as investors priced in higher growth and inflation expectations under the new presidential administration. However, the 30-year yield partially retraced in the first six months of 2017 after prospects for ancipated tax reform, deregulation, and fiscal stimulus began to fade. As of June 30, 2017, the 10-year yield stood at 2.3%, or 82 bps higher than the same period one year earlier.

Fixed Income: Top 15 Holdings

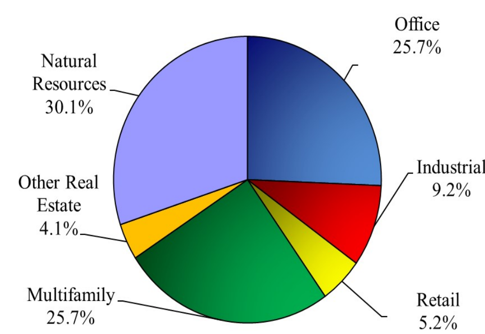
Fifteen Largest Fixed Income Holdings	Interest Rate	Maturity Date	Fair Value
United States Treasury Bonds	4.4 %	May 15, 2040	$ 40,515,067
United States Treasury Bonds	2.5	February 15, 2045	20,531,324
United States Treasury Bonds	2.9	May 15, 2043	15,286,676
United States Treasury Bonds	2.3	February 15, 2027	14,361,934
United States Treasury Bonds	2.9	August 15, 2045	13,806,696
United States Treasury Bonds	2.5	February 15, 2046	13,756,943
United States Treasury Bonds	2.3	August 15, 2046	8,222,852
United States Treasury Bonds	2.5	May 15, 2046	7,828,912
United States Treasury Bonds	3.0	May 15, 2045	7,511,835
United States Treasury Bonds	4.6	February 15, 2040	6,591,651
United States Treasury Bonds	3.0	February 15, 2047	5,593,129
United States Treasury Bonds	2.5	May 15, 2046	5,584,066
Bank of America	6.0	October 15, 2036	5,301,887
United States Treasury Notes	0.6	September 30, 2017	4,934,517
Wells Fargo	3.9	May 1, 2045	4,168,604

OPPORTUNISTIC

The System invests a portion of its portfolio in absolute return strategies (hedge funds) to enhance risk adjusted returns and reduce total Fund volatility. The market value of the Opportunistic Portfolio as of June 30, 2017 represented approximately 2.9% of the total Fund. During the fiscal year, the Opportunistic Portfolio underperformed the benchmark return by 1.6%.

Hedge fund performance, as measured by the HFRI Fund of Funds Composite Index, returned 6.1%, net of fees, for the one-year period as of June 30, 2017. Equity Long/Short and Event Driven funds posted the strongest performance, while Global Macro funds generated negative returns due to a prolonged environment of low interest rates and volatility.

PRIVATE REAL ASSETS



The System began investing in value-added and opportunistic private real estate and natural resources in 2006 to attain real returns less correlated with the broad public securities markets. Returns are computed on a dollar-weighted or internal rate-of-return basis, and from inception (2006) to June 30, 2017 the investments generated an annualized gain of 5.28%. By comparison, the dollar-weighted return for the benchmark CPI + 5.0% for the same period was a gain of 6.58%. The Private Real Assets Portfolio comprised 4.9% of the Fund at June 30, 2017 with approximately 79.5% of the dollars committed called. The return from 2009, when the System moved to a direct program, through June 30, 2017 is 10.64% compared to the 6.48% return of the benchmark, CPI + 5.0%.

During the fiscal year, the growth of real estate transaction activity remained at moderate levels as investors became more cautious due to capitalization rates being at or below 2007 levels across many property types (multi-family, industrial, retail and office) in the United States. Domestic energy investments have been concentrated in basins with the lowest cost of production as well productivity continues to increase. US farmland asset values stabilized after more than three years of declining net income levels due to lower agriculture prices. Timberland appreciated on strong demand.

PUBLIC REAL ASSETS

The market value of the total Public Real Assets Portfolio as of June 30, 2017 represented approximately 9.5% of the total Fund and was allocated as follows: 60.4% global real estate securities, 31.8% commodities, and 7.8% master limited partnerships (MLPs). The System began investing in Public Real Assets in January 2009 to further diversify the portfolio, reduce risk, and provide a hedge against inflation.

Listed global real estate security prices were flat for the fiscal year as they rebounded from a sharp decline (induced by rising interest rates) in the first half of the year due to healthy real estate fundamentals driving earnings growth in the second half of the year. For the fiscal year, commodity futures declined on oversupply concerns in several key commodities, including energy. MLPs were flat for the fiscal year as a sharp decline (caused by lower energy prices) in the last quarter of the fiscal year wiped out gains from the prior three quarters. For the fiscal year, the Public Real Asset Portfolio underperformed the custom benchmark by 0.5%.

GLOBAL INFLATION INDEXED BONDS

The System allocates a portion of Fund assets to inflation-indexed bonds which provide protection against inflation risk, as well as providing a globally diversified return stream to manage volatility. The Inflation-Indexed Bond Portfolio represented 11.6% of total Fund assets at June 30, 2017. The Portfolio, which also includes an absolute return fund overlay, returned 5.8% during the fiscal year, outperforming the custom benchmark's return of 0.5%.

The returns on global inflation-indexed bonds were positive during the fiscal year, as real yields, used to measure the change in purchasing power, declined and remained low across much of the developed world. Performance of the total portfolio was further aided by positive contributions from the absolute return fund overlay's positions in U.S. rates, the British pound, and the Brazilian real.

Inflation-Indexed Bonds - Country Exposures		
United States	45	%
United Kingdom	20	
Canada	10	
France	10	
Germany	7	
Sweden	5	
Australia	3	

INVESTMENT MANAGERS

The diversified investment structure as of June 30, 2017 is reflected in the following table, which lists System managers by asset class and style.

Public Equity	Investment Style
Domestic Equity	
Barrow, Hanley, Mewhinney & Strauss	Large Cap Value
Eagle Asset Management	Small Cap Growth
JP Morgan Investment Management*	Large Cap Core Plus
Los Angeles Capital Management*	Large Cap Alpha
RhumbLine Advisors	Russell 1000 Index
Sands Capital Management	Large Cap Growth
Wellington Management	Small Cap Value
International Equity	
Gryphon Int'l Investment Corp.	EAFE
Highclere Int'l Investors LLP*	Small Cap
Marathon Asset Management LLP	EAFE
Mondrian Investment Partners Ltd*	Emerging Markets
Global Equity	
Aberdeen Asset Management*	Global
WCM Investment Management	Global

Private Real Assets	Investment Style
Aberdeen*	Fund-of-Funds
AEW Partners*	Real Estate
Carmel Partners*	Real Estate
EMR Capital*	Mining
EnerVest, Ltd.*	Energy
Federal Capital Partners*	Real Estate
Hampshire Companies*	Real Estate
Homestead Capital*	Agriculture
Juniper Capital*	Energy
Kimmeridge Energy*	Energy
LBA Realty*	Real Estate
Lime Rock Resources*	Energy
Lyme Timber Company*	Timber
Meridian Realty Partners*	Real Estate
Pearlmark Real Estate Ptrs*	Real Estate
Resource Land Holdings*	Diversified Natural Resources
TA Associates Realty LLC*	Real Estate

Public Real Assets	Investment Style
Barings	Real Estate
BlackRock Financial Mgt.*	Commodities
BlackRock Financial Mgt.*	Real Estate
Chickasaw Capital Management	MLPs
CoreCommodity Mgt.*	Commodities
Wellington Management*	Commodities

Private Debt	Investment Style
Bison Capital Partners*	Structured Equity
Castlelake*	Distressed
Clearlake Capital Group*	Distressed/Pvt Equity/Tnrnd
Greyrock Capital Group*	Structured Equity
Levine Leichtman Capital Partners*	Structured Equity
New Energy Capital Partners*	Structured Equity
PineBridge Investments*	Structured Equity
Whitehorse Liquidity Partners *	Structured Equity

Opportunistic	Investment Style
Davidson Kempner Capital Management*	Event Driven
Grosvenor Capital Management*	Fund-of-Funds
HBK Capital Management*	Relative Value
Hudson Bay Capital Mgmt*	Relative Value
Luxor Capital Partners*	Event Driven
MKP Opportunity Partners*	Global Macro
Scopia Capital Management*	Equity Long/Short

Private Equity	Investment Style
Adams Street Partners*	Fund-of-Funds
Altus Capital Partners*	Buyout
Altaris Capital Partners*	Buyout
Atlas Capital Resources*	Turnaround
BV Investment Partners*	Growth Equity
DW Healthcare Partners*	Buyout
Franklin Park*	Fund-of-Funds
J.F. Lehman & Company*	Buyout
HarbourVest Partners*	Fund-of-Funds
K1 Investment Mgmt.*	Growth/Buyout
KPS Capital Partners*	Turnaround
Landmark Partners*	Fund-of-Funds
Mason Wells*	Buyout
Odyssey Inv. Partners*	Buyout
Pomona Capital*	Fund-of-Funds
Riverside Partners*	Buyout
Siris Capital Group*	Buyout
Sunstone Partners*	Growth Equity
TA Associates*	Growth Equity
Thoma Bravo*	Buyout
Wicks Group*	Buyout

Fixed Income	Investment Style
BlackRock Financial Mgt.*	Core
Loomis Sayles & Co.	High Yield
Jennison Associates	Long Duration
Nomura Asset Management	High Yield
Schroder Investment Mgt.	Long Duration

Inflation-Indexed Bonds	Investment Style
Bridgewater Associates*	Passive

Foreign Currency	Investment Style
First Quadrant LP*	Foreign Currency

* Pooled Funds

PUBLIC EQUITY COMMISSIONS

January 1, 2016 Through December 31, 2016

Brokers	Commissions (thousands)
Instinet	$ 18
Sanford Bernstein	14
Credit Suisse	14
Deutsche Bank	14
Societe Generale	12
UBS	12
Merrill Lynch	11
Goldman Sachs	10
Bloomberg	8
Daiwa	7
Other Brokers (96 brokers)	129
Total	**$ 249**

INVESTMENT SUMMARY

	June 30, 2017 Fair Value	Percent of Total Value	June 30, 2016 Fair Value	Percent of Total Value
Government and agency obligations	$ 494,936,771	12.6 %	$ 403,510,670	11.2 %
Municipal/Provincial obligations	8,802,535	0.2	15,015,541	0.4
Asset-backed securities	575,265	0.0	3,713,101	0.1
Corporate bonds	652,601,536	16.7	709,062,527	19.7
Collateralized mortgage obligations	938,220	0.0	840,430	0.0
Commerical mortgage-backed securities	1,636,717	0.0	726,834	0.0
Common and preferred stock	1,683,366,447	43.0	1,506,763,258	41.8
Mutual and commingled funds	444,710,885	11.4	389,914,184	10.8
Short-term investments	101,410,350	2.6	94,518,574	2.6
Private real assets	191,725,989	4.9	196,611,691	5.5
Private equity/debt	337,417,190	8.6	283,122,107	7.9
Total	$ 3,918,121,905	100.0 %	$ 3,603,798,917	100.0 %

Cash collateral received under securities lending agreements is not included in the investment summary shown above.

ACTUARIAL SECTION
Employees' Retirement System

GRS Retirement Consulting

P: 312.456.9800 | F: 312.683.3271 | www.grsconsulting.com

October 30, 2017

Ms. Linda Herman
Executive Director
Montgomery County Employee Retirement Plans
101 Monroe Street, 15th Floor
Rockville, Maryland 20850

Dear Linda:

At your request, we have performed an actuarial valuation for funding purposes, and a separate actuarial valuation for accounting purposes, of the Montgomery County Employees' Retirement System ("System") as of July 1, 2017. The purpose of the funding actuarial valuation, which is performed annually, is to determine the funding status and annual contribution requirements of the System. The actuarial valuations were performed specifically at your request and are intended for use by the System and Montgomery County ("County") and those designated by the System and the County. This report may be provided to parties other than the System and County only in its entirety and only with the permission of the System and County. GRS is not responsible for unauthorized use of this report.

Funding Objective

The funding objective for the System is to collect employer and employee contributions sufficient to pay the benefits of the Montgomery County Employees' Retirement System when due and to achieve a funded ratio of 100 percent at the end of the amortization period. The total contribution rate is equal to the normal cost rate plus amortization of the unfunded liability as a level percentage of payroll. The unfunded liability as of July 1, 2015 (and in each future year) for the Non-Public Safety groups (Groups A and H) is amortized over a single closed period of 9 years (7 years remaining at the actuarial valuation as of July 1, 2017, to amortize the total unfunded liability). The unfunded liability as of July 1, 2015, for the Public Safety groups (Groups E, F, G and J) and GRIP was amortized over a closed period of 20 years (18 years remaining at the actuarial valuation as of July 1, 2017) and the unfunded liability bases established in each subsequent year are amortized over separate 20-year closed periods. The single equivalent amortization period for the System in total as of July 1, 2017, is 8.3 years. This funding policy is consistent with generally accepted actuarial standards for the funding of retirement systems. The total contribution rate minus the average employee contribution rate equals the County contribution rate. The funding actuarial valuation as of July 1, 2017, establishes the County contribution rate for the fiscal year beginning July 1, 2018.

Actuarial Assumptions and Methods

The actuarial cost method used in this valuation is the same as the method used in the prior actuarial valuation. The actuarial cost method utilized by the System for both non-GRIP and GRIP members is the individual Entry-Age Normal method. The objective of this method is to finance the benefits of the

System as a level percentage of payroll over the members' careers. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL. The actuarial assumptions used in the actuarial valuation as of July 1, 2017, are the same as those used in the actuarial valuation as of July 1, 2016. The actuarial assumptions are based on an experience review for the five-year period ending July 1, 2014.

The actuarial assumptions and methods used, including the economic and demographic assumptions, the actuarial cost method and asset method, are in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board for the funding of public sector pension plans and are set by the County. Actuarial assumptions and actuarial methods required under GASB Statement 67 and 68 were used in the preparation of the accounting disclosures and schedules required by GASB 67 and 68.

Benefit Provisions
There have been no plan changes reflected in the actuarial valuation as of July 1, 2017, since the actuarial valuation at July 1, 2016.

Participant Data
A total of 5,738 active members (excluding DRSP and DROP) were included in the actuarial valuation as of July 1, 2017. Between the 2016 and 2017 actuarial valuations, the number of active employees increased by 225 members, or 4.1 percent. The average annual actuarial valuation pay (excluding DRSP and DROP) decreased by 0.2 percent, from $77,566 to $77,427 between the 2016 and 2017 actuarial valuation. The number of benefit recipients (including DRSP and DROP) increased from 6,453 to 6,516, or 1.0 percent, since the last actuarial valuation. The average monthly benefit increased by 0.8 percent, from $3,110 to $3,135.

Aetna Contract
There is a group of retirees who have benefits that are insured by Aetna. The total benefit amounts reported for these members in the actuarial valuation report include the insured benefit amount. The actuarial liabilities calculated in the actuarial valuation report exclude the value of the insured benefits. The liabilities for these members that are included in the actuarial valuation are for the cost of living adjustments provided and are paid by the Montgomery County Employees' Retirement System.

Actuarial Valuation Assets
On a market value basis, the Plan assets had an investment return of approximately 11.65 percent (net of investment expenses). Recognition of investment gains during fiscal years ending 2013, 2014 and 2017 were partially offset by recognition of the fiscal year end 2015 and 2016 investment losses, which resulted in an estimated net asset rate of return of 7.80 percent on an actuarial value of assets basis, which compares to the assumed rate of return of 7.50 percent.

Reliance on Others

The actuarial valuation was based upon information furnished by the County Staff, concerning benefits provided by the Montgomery County Employees' Retirement System, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the County Staff.

The trend data in the Financial Section and the schedules and other data in this Section are prepared by County Staff with our input.

Accounting Schedules under GASB Statement Nos. 67 and 68

The total pension liability (actuarial accrued liability) is based on a measurement date of July 1, 2016, with results projected to July 1, 2017, assuming no liability gains and losses, under the Entry Age Normal actuarial cost method. A single discount rate of 7.50 percent, which is the same rate that is used in the funding actuarial valuation, was used to measure the total pension liability. All other assumptions and methods used in the funding actuarial valuation for calculation of the actuarial accrued liabilities as of July 1, 2017, were used in the GASB 67/68 actuarial valuation for calculation of the total pension liability for fiscal year ending June 30, 2017.

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position (market value of assets) as of June 30, 2017.

Certification

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Montgomery County Employees' Retirement System as of the valuation date of July 1, 2017, based on the data and actuarial techniques described above and applicable statutes. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements in this report.

This report should not be relied on for any purpose other than the purpose stated.

The signing actuaries are independent of the plan sponsor.

Respectfully submitted,

Gabriel, Roeder, Smith & Company

Lance J. Weiss, E.A., M.A.A.A., F.C.A.
Senior Consultant and Team Leader

Amy Williams, A.S.A., M.A.A.A., F.C.A.
Consultant

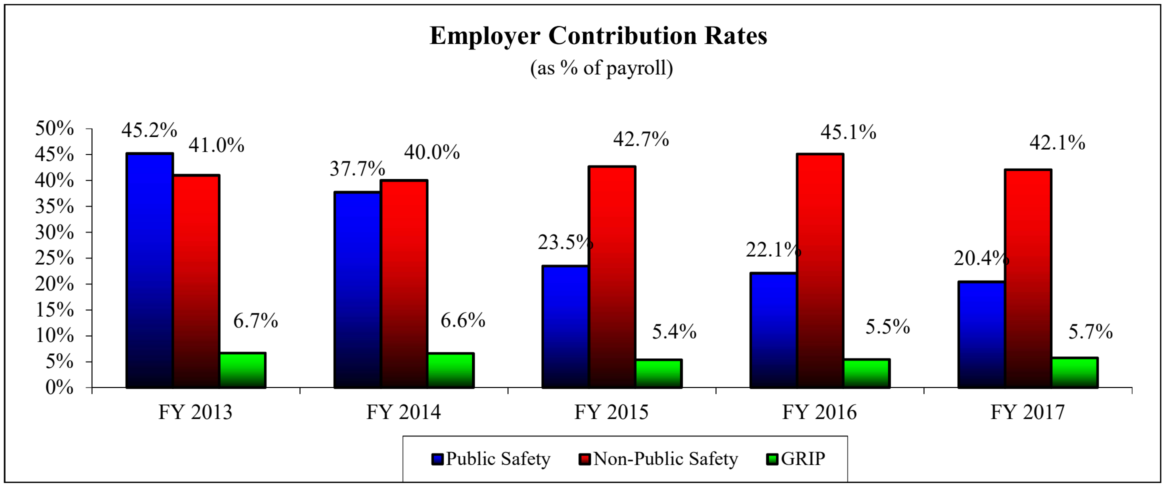
AW:nn

SUMMARY OF VALUATION RESULTS
EMPLOYEES' RETIREMENT SYSTEM

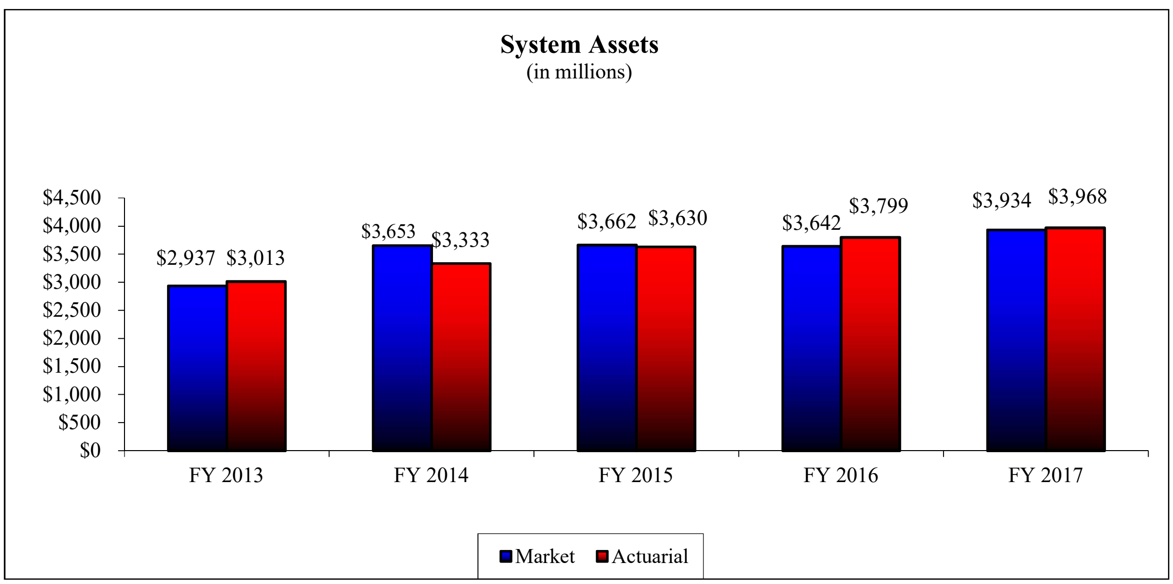
A. Overview

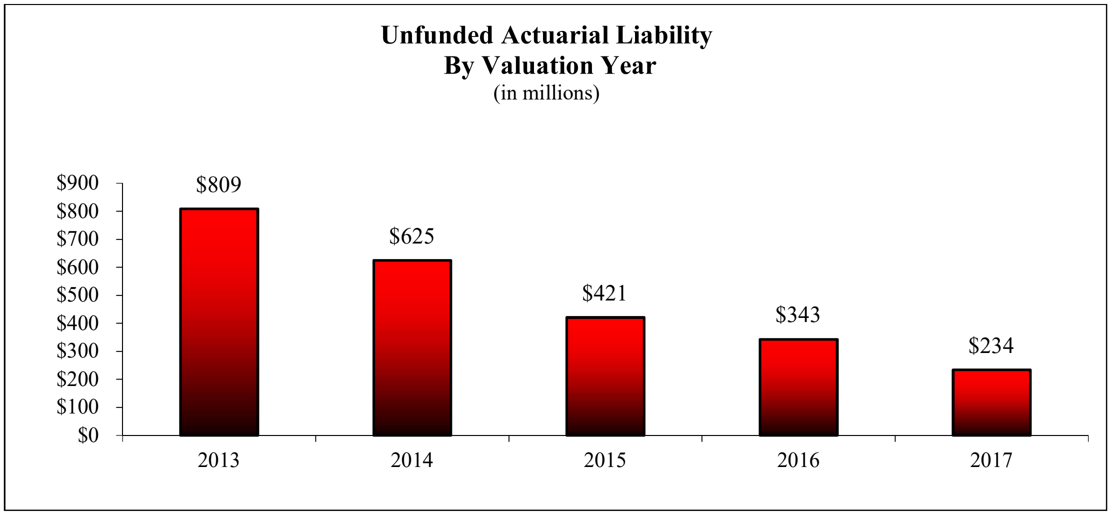
This report presents the results of our June 30, 2017 actuarial valuation of the Montgomery County Employees' Retirement System.

The major findings of the valuation are summarized in the following charts:

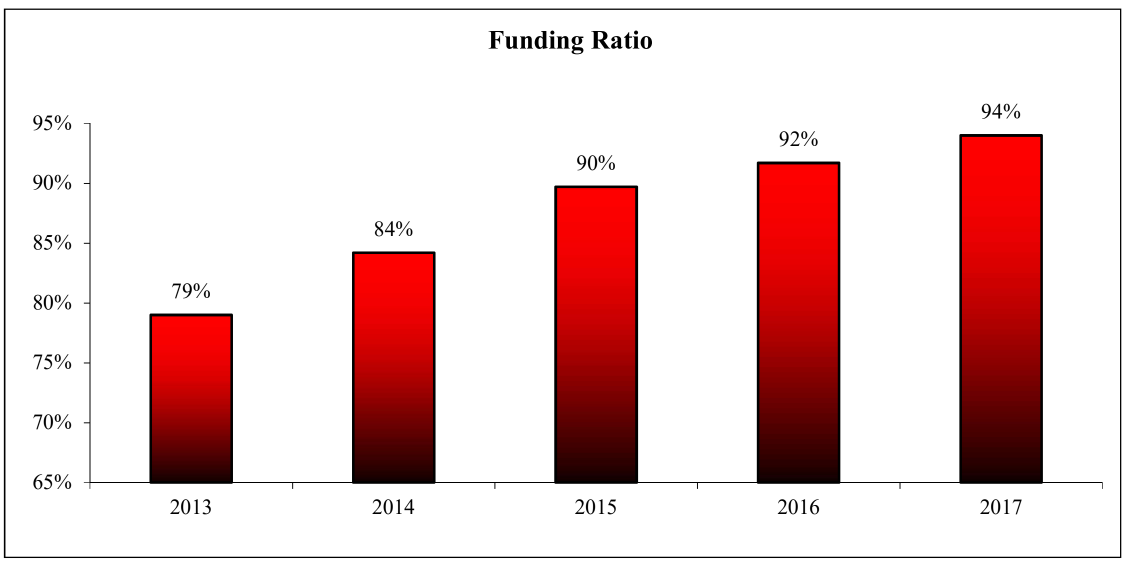


The change in the employer contribution rate in FY 2017 was due to actual System experience versus actuarial assumptions.





The unfunded actuarial liability decreased in FY 2017 primarily due to deferred asset gains and lower than expected cost of living increases for retired members.



The ratio of actuarial assets to the actuarial accrued liability has improved primarily due to the factors noted above.

B. Summary of Results

	July 1, 2016	July 1, 2017
Actuarial Liability		
a. Active Members	$1,393,485,137	$1,413,465,543
b. Retired Members and Beneficiaries	2,718,476,430	2,755,835,205
c. Vested Former Members	29,099,401	33,332,394
d. Total	$4,141,060,968	$4,202,633,142
Valuation Assets	$3,798,555,275	$3,968,497,692
Unfunded Actuarial Accrued Liability	$342,505,693	$234,135,450
Normal Cost		
a. Gross Normal Cost	$74,716,528	$77,378,957
b. Anticipated Employee Contributions	$24,812,730	$25,437,890
c. County Normal Cost (a -b)	$49,903,798	$51,941,067
Amortization Payment	$39,202,730	$30,669,473
County Contribution Required at Date Shown	$89,106,528	$82,610,540
County FY 2017/FY 2018 Contribution		
(as a % of covered payroll)		
Public Safety Employees	22.05%	20.42%
Non-Public Safety Employees	45.12%	42.08%
Guaranteed Retirement Income Plan	5.46%	5.74%

C. Valuation Highlights

1. System Assets

As of June 30, 2017, the System had assets, valued at market, of $3.934 billion, as compared to $3.642 billion at June 30, 2016. The increase of $292 million was attributable to the following:

a. An increase of $123 million from employer and employee contributions;
b. An increase of $414 million from investment gain;
c. A decrease of $245 million due to the payment of benefits to System participants and administrative expenses.

When measured on an actuarial basis, System assets were $3.968 billion at June 30, 2017, and $3.799 billion at June 30, 2016. The asset valuation method smooths the fluctuations generated by intermittent market gains and losses. This method phases-in investment gains and losses arising during and after the 1994 fiscal year over a five-year period from the date established. Effective July 1, 1997, the calculation of the actuarial value of assets was changed to exclude the present value of estimated accrued contributions.

2. System Liabilities

The Unfunded Actuarial Liability decreased $109 million, from $343 million at July 1, 2016, to $234 million at July 1, 2017, as follows:

Unfunded Actuarial Liability at beginning of year	$	342,505,693
Unfunded Actuarial Liability at end of year		234,135,450
Decrease in Unfunded Actuarial Liability	$	108,370,243

The decrease in Unfunded Actuarial Liability for the year ended June 30, 2017, is comprised of the following:

Decrease due to gain on actuarial value of assets	$	10,966,494
Decrease due to demographic gain and other factors		74,016,809
Decrease due to amortization payment and contributions		23,386,940
Increase/decrease due to plan changes		0
Decrease in Unfunded Actuarial Liability	$	108,370,243

3. System Contributions

Contributions to the System include a "normal cost" rate which covers the portion of projected liabilities related to service of members. In addition, an amortization payment is made to fund the unfunded liability related to changes made to benefits in previous years which are being funded over a specific period of time.

The increase/decrease in the employer contribution rate is attributable to the following:

	Non-Public Safety (non-GRIP)		Public Safety (non-GRIP)		GRIP	
Employer contribution rate - June 30, 2016	45.12	%	22.05	%	5.46	%
Decrease due to gain on actuarial value of assets	(1.00)		(0.20)		(0.01)	
Increase/decrease due to actuarial gains & losses	(2.04)		(1.43)		0.29	
Increase/decrease due to plan changes	0.00		0.00		0.00	
Increase/decrease due to assumption and method changes	0.00		0.00		0.00	
Employer contribution rate - June 30, 2017	42.08	%	20.42	%	5.74	%

4. Membership

The active membership of the System increased from 5,513 at June 30, 2016 to 5,738 at June 30, 2017. The System was closed to all new employees hired after October 1, 1994, except public safety, bargaining unit employees and GRIP participants. Inactive members, including retirees and beneficiaries, increased from 6,453 at June 30, 2016 to 6,516 at June 30, 2017 and the number of former members with vested rights increased from 395 to 480.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
EMPLOYEES' RETIREMENT SYSTEM

A. Funding Method

The funding method used for the System's valuation is the "Individual Entry-Age Normal" actuarial cost method. The objective of this method is to finance the benefits of the System as a level percentage of payroll over the members' careers. The normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement. Each annual normal cost is a constant percentage of the member's year by year projected covered pay. An *actuarial liability* is calculated at the valuation date as the present value of benefits allocated to service prior to that date. The *Unfunded Actuarial Liability* at the valuation date is the excess of the actuarial liability over the assets of the System.

B. Actuarial Value of Assets

The actuarial value of assets is used for purposes of determining the County's contribution to the System. The asset adjustment method dampens the volatility of asset values that could occur because of short term fluctuations in market conditions. Use of an asset smoothing method is consistent with the long term nature of the actuarial valuation process. Assets are valued at market value but with a phase-in of investment gains and losses arising after July 1, 1994, over a 5-year period. The gains and losses are net of expenses. Effective July 1, 1997, the calculation of the actuarial value of assets does not include the present value of accrued contributions.

ACTUARIAL ASSUMPTIONS AND METHODS
EMPLOYEES' RETIREMENT SYSTEM

A. Demographic Assumptions

1. Mortality

MP-2014 Employee and Healthy Annuitant (non-disabled)									
	Pre-Retirement Future Life Expectancy (years) in 2016		Post-Retirement Future Life Expectancy (years) in 2016			Pre-Retirement Future Life Expectancy (years) in 2016		Post-Retirement Future Life Expectancy (years) in 2016	
Age	Men	Women	Men	Women	Age	Men	Women	Men	Women
20	69.21	73.49	66.86	69.82	65	22.61	26.59	21.81	23.91
25	63.88	68.16	61.45	64.38	70	18.23	21.79	17.65	19.53
30	58.55	62.83	56.09	58.99	75	14.17	17.18	13.78	15.45
35	53.21	57.52	50.79	53.69	80	10.51	12.81	10.31	11.75
40	47.88	52.21	45.58	48.48	85	7.36	8.89	7.37	8.54
45	42.58	46.94	40.48	43.36	90	5.06	6.00	5.07	5.96
50	37.35	41.72	35.53	38.32	95	3.52	4.10	3.52	4.10
55	32.24	36.59	30.77	33.37	100	2.51	2.87	2.51	2.87
60	27.30	31.54	26.20	28.55	105	1.89	2.10	1.89	2.10

2. Rates of Termination of Employment (prior to retirement eligibility)

Years of Service	Non-Public Safety and GRIP		Public Safety			
			Group E		Group F and G	
	Male	Female	Male	Female	Male	Female
0	11.50%	12.50%	12.00%	15.00%	6.00%	9.00%
1	9.50	10.50	10.00	12.00	5.00	7.00
2	8.00	9.50	6.00	7.00	4.00	5.00
3	6.00	6.50	5.00	6.50	3.00	4.50
4	4.50	4.50	4.00	4.00	2.50	3.50
5	4.00	4.25	3.90	3.90	2.25	3.00
6	4.00	4.25	3.80	3.80	2.00	2.75
7	4.00	4.25	3.70	3.70	1.75	2.50
8	4.00	4.25	3.60	3.60	1.50	2.00
9	4.00	4.25	3.50	3.50	1.25	1.75
10	3.25	2.75	2.00	2.00	1.00	1.50
11	3.25	2.75	1.50	1.50	0.75	1.25
12	3.25	2.75	1.00	1.00	0.50	1.00
13	3.25	2.75	1.00	1.00	0.50	0.75
14	3.25	2.75	1.00	1.00	0.50	0.50
15+	2.00	2.50	1.00	1.00	0.50	0.50

Vested participants that terminate are assumed to elect the option with the greater present value:

1) A refund of their accumulated contributions with interest or
2) A deferred benefit.

3. Disability

	Annual Disabilities per 1,000 Members								
	Non-Public Safety Employees		Public Safety Employees						
			Group E		Group F		Group G		
Age	Male	Female	Male	Female	Male	Female	Male	Female
20	0	0	1	0	1	1	1	1
25	1	0	1	1	2	3	2	3
30	1	0	2	2	4	8	4	8
35	1	1	3	3	5	12	5	12
40	2	1	4	5	7	16	9	16
45	3	3	7	12	13	44	16	44
50	6	4	11	17	22	59	26	59
55	7	4	14	17	27	62	35	62
60	8	4	14	17	27	62	35	62

4. Deaths

	Disabled Mortality Future Life Expectancy (years) in 2016	
Age	Men	Women
20	60.67	61.59
25	55.28	56.19
30	49.96	50.89
35	44.73	45.69
40	39.64	40.59
45	34.71	35.56
50	29.94	30.62
55	25.35	25.83
60	20.97	21.31
65	16.86	17.11
70	13.11	13.29
75	9.75	9.87
80	6.92	7.02

5. Rates of Retirement

	Non Public Safety		GRIP	
Age	Under 30 Years of Service	30 Years of Service & Over	Under 15 Years of Service	15 Years of Service & Over
45 – 49	2.0%	2.0%	0.0%	0.0%
50 – 54	3.0	15.0	0.0	0.0
55	6.0	15.0	3.0	3.0
56	6.0	15.0	3.0	3.0
57	6.0	15.0	6.0	6.0
58	8.0	15.0	6.0	6.0
59	8.0	15.0	6.0	6.0
60	13.0	18.0	6.0	10.0
61	13.0	18.0	6.0	10.0
62	13.0	18.0	8.0	25.0
63	13.0	18.0	8.0	25.0
64	13.0	18.0	8.0	25.0
65 – 69	20.0	25.0	20.0	30.0
70 – 74	40.0	40.0	50.0	50.0
75	100.0	100.0	100.0	100.0

	Public Safety							
	Group E		Group F			Group G		
Age	Under 25 Years of Service	25 Years of Service & Over	Under 25 Years of Service	25 Years of Service	26 Years of Service & Over	Under 20 or 21 - 24 Years of Service	20 Years of Service	25 Years of Service & Over
Under 42	3.5%	3.5%	2.5%	20.0%	2.5%	2.5%	10.0%	5.0%
42 – 44	3.5	3.5	2.5	20.0	2.5	5.0	10.0	5.0
45	3.5	8.0	2.5	20.0	2.5	7.5	10.0	10.0
46	3.5	8.0	3.5	20.0	3.5	7.5	10.0	10.0
47	3.5	8.0	4.5	20.0	4.5	7.5	10.0	10.0
48	3.5	8.0	5.5	20.0	5.5	7.5	10.0	10.0
49	3.5	8.0	6.5	20.0	6.5	7.5	10.0	10.0
50	10.0	10.0	10.0	20.0	20.0	10.0	15.0	17.5
51	10.0	10.0	10.0	20.0	20.0	10.0	15.0	17.5
52	10.0	12.0	10.0	20.0	20.0	12.5	20.0	25.0
53	10.0	12.0	15.0	25.0	25.0	12.5	20.0	25.0
54	10.0	12.0	15.0	25.0	25.0	12.5	20.0	25.0
55 – 59	15.0	30.0	15.0	40.0	40.0	20.0	40.0	35.0
60 – 64	25.0	50.0	25.0	70.0	70.0	40.0	40.0	40.0
65	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Actuarial Assumptions and Methods
Employees' Retirement System (Concluded)

6. Sick Leave Credit

Service credit is increased by 2.2% for Group A employees, 2.5% for Group E employees, 4.0% for Group F employees, 3.1% for Group G employees, and 1.6% for Group H employees to account for additional credit from unused sick leave. Sick leave is capped at 2 years.

7. Marital assumption

80% of active participants are assumed to be married. Women are assumed to be three years younger than their spouses.

B. Economic Assumptions

1. Investment Return: 7.5% compound per annum
2. Cost-of-Living Increases: 2.75% on credited service earned prior to June 30, 2011. 2.3% on credited service earned on or after July 1, 2011, reflecting the 2.5% cap
3. Increase in Social Security Wage Base: 3.25% compound per annum
4. Expense load: Assumed administrative expenses are based on 105% of the average of the administrative expenses over the past three years. For FY 2019 this figure is $3,109,500.
5. Salary Increase: Merit and promotional increases assumed to be based on service as shown below:

Service	Non-Public Safety*	Service	Group E	Service	Group F	Service	Group G
1	6.00%	1	9.50%	1 – 3	8.00%	1	9.50%
2	5.50	2	9.00	4	6.50	2	9.00
3	5.00	3	7.00	5	6.00	3	7.00
4	4.50	4	6.50	6	5.50	4	6.50
5 – 10	4.00	5	6.00	7	5.00	5 – 10	6.00
11+	3.25	6	5.50	8	4.50	11 – 15	4.50
		7	5.00	9 – 20	4.00	16 – 20	4.00
		8	4.50	21+	3.25	21+	3.25
		9 – 20	4.00				
		21+	3.25				

** Includes GRIP*

ANALYSIS OF FINANCIAL EXPERIENCE

Gains and Loss in Accrued Liability During Years Ended June 30
Resulting from Differences Between Assumed Experience and Actual Experience

Type of Activity	2014	2015	2016	2017
Investment gain/(loss)	$ 163,194,287	$ 107,001,671	$ (23,178,967)	$ 10,966,494
Combined liability experience	7,865,965	81,145,514	86,796,201	80,948,741
Gain/(loss) during year	$ 171,060,252	$ 188,147,185	$ 63,617,234	$ 91,915,235

SOLVENCY TEST

Aggregate Accrued Liability

Valuation Date	(1) Active Members Contributions	(2) Retirees, Vested Terms, Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets (%) (1)	(2)	(3)
6/30/2010	$ 213,191,851	$ 2,054,949,883	$ 1,377,434,607	$ 2,791,144,974	100	100	38
6/30/2011	236,934,960	2,181,816,842	1,325,970,792	2,869,422,276	100	100	34
6/30/2012	210,537,737	2,465,714,392	1,092,493,833	2,891,435,563	100	100	20
6/30/2013	248,331,006	2,526,844,154	1,046,205,572	3,012,547,244	100	100	23
6/30/2014	265,055,643	2,585,446,584	1,108,427,491	3,333,484,724	100	100	44
6/30/2015	280,135,577	2,698,040,722	1,072,560,553	3,630,075,610	100	100	61
6/30/2016	297,715,372	2,747,575,831	1,095,769,765	3,798,555,275	100	100	69
6/30/2017	314,707,102	2,789,167,599	1,098,758,441	3,968,497,692	100	100	79

SCHEDULE OF RETIREES AND SURVIVORS
During Years Ended June 30

	New Retirees and Disableds	Survivors	Total
July 1, 2010	**5,211**	**380**	**5,591**
New retirements & disabilities	282	0	282
Deaths with beneficiaries	(20)	20	0
Deaths/benefits ended	(154)	(7)	(161)
July 1, 2011	**5,319**	**393**	**5,712**
New retirements & disabilities	201	0	201
Deaths with beneficiaries	(47)	47	0
Deaths/benefits ended	(87)	(2)	(89)
July 1, 2012	**5,386**	**438**	**5,824**
New retirements & disabilities	269	0	269
Deaths with beneficiaries	(38)	38	0
Deaths/benefits ended	(104)	(28)	(132)
July 1, 2013	**5,513**	**448**	**5,961**
New retirements & disabilities	400	0	400
Deaths with beneficiaries	(23)	23	0
Deaths/benefits ended	(100)	(19)	(119)
July 1, 2014	**5,790**	**452**	**6,242**
New retirements & disabilities	264	0	264
Deaths with beneficiaries	(24)	24	0
Deaths/benefits ended	(98)	(28)	(126)
July 1, 2015	**5,932**	**448**	**6,380**
New retirements & disabilities	203	0	203
Deaths with beneficiaries	(20)	20	0
Deaths/benefits ended	(107)	(23)	(130)
July 1, 2016	**6,008**	**445**	**6,453**
New retirements & disabilities	207	0	207
Deaths with beneficiaries	(30)	30	0
Deaths/benefits ended	(122)	(22)	(144)
July 1, 2017	**6,063**	**453**	**6,516**

SCHEDULE OF ANNUAL ALLOWANCE
During Years Ended June 30

	New Retirees and Disableds	Survivors	Total
July 2010	**$ 176,263,008**	**$ 6,035,373**	**$ 182,298,381**
Average Annual Allowance	33,825	15,883	32,606
Annual Allowances Added to the Rolls	14,287,432	580,328	14,867,760
Annual Allowances Removed From the Rolls	(868,937)	(103,095)	(972,032)
July 2011	**$ 189,681,503**	**$ 6,512,606**	**$ 196,194,109**
Average Annual Allowance	35,661	16,572	34,348
Annual Allowances Added to the Rolls	8,947,253	1,102,270	10,049,523
Annual Allowances Removed From the Rolls	(2,498,388)	(34,529)	(2,532,917)
July 2012	**$ 196,130,368**	**$ 7,580,347**	**$ 203,710,715**
Average Annual Allowance	36,415	17,307	34,978
Annual Allowances Added to the Rolls	11,709,284	867,622	12,576,906
Annual Allowances Removed From the Rolls	(5,027,794)	(572,950)	(5,600,744)
July 2013	**$ 202,811,858**	**$ 7,875,019**	**$ 210,686,877**
Average Annual Allowance	36,788	17,578	35,344
Annual Allowances Added to the Rolls	21,907,364	699,388	22,606,753
Annual Allowances Removed From the Rolls	(3,506,950)	(217,824)	(3,724,774)
July 2014	**$ 221,212,272**	**$ 8,356,583**	**$ 229,568,855**
Average Annual Allowance	38,206	18,488	36,778
Annual Allowances Added to the Rolls	8,938,666	612,732	9,551,398
Annual Allowances Removed From the Rolls	(3,140,736)	(366,643)	(3,507,379)
July 2015	**$ 227,010,202**	**$ 8,602,672**	**$ 235,612,874**
Average Annual Allowance	38,269	19,202	36,930
Annual Allowances Added to the Rolls	8,783,325	490,043	9,273,368
Annual Allowances Removed From the Rolls	(3,486,640)	(535,806)	(4,022,446)
July 2016	**$ 232,306,887**	**$ 8,556,909**	**$ 240,863,796**
Average Annual Allowance	38,666	19,229	37,326
Annual Allowances Added to the Rolls	8,587,719	633,990	9,221,709
Annual Allowances Removed From the Rolls	(4,617,442)	(329,036)	(4,946,478)
July 2017	**$ 236,277,164**	**$ 8,861,864**	**$ 245,139,028**
Average Annual Allowance	**38,970**	**19,563**	**37,621**

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
July 1, 2010	5,786	$431,226,155	$74,529	-0.66%
July 1, 2011	5,515	405,336,529	73,497	-1.38
July 1, 2012	5,554	398,460,248	71,743	-2.39
July 1, 2013	5,606	395,988,026	70,636	-1.54
July 1, 2014	5,535	402,899,096	72,791	3.05
July 1, 2015	5,541	418,728,584	75,569	3.82
July 1, 2016	5,513	427,622,475	77,566	2.64
July 1, 2017	5,738	444,274,516	77,427	-0.18

STATISTICAL SECTION

Employee Retirement Plans

STATISTICAL SECTION

The Statistical Section presents detailed information in the areas shown below, as a context for understanding what the information in the Financial Section says about the overall financial health of the Employee Retirement Plans:

The schedules beginning on page 80 are designed to show financial trend information to assist users in understanding and assessing how the Employee Retirement Plans' financial position has changed over the past ten years. The financial trend schedules presented are:

- Changes in Fiduciary Net Position – Information to help the reader understand the Plans' historical contributions, earnings, and expenses.
- Benefit, Refund and Distribution Deductions from Fiduciary Net Position – Information to help the reader understand the historical benefits, refund, and distribution deductions.

The schedules beginning on page 86 display demographic, economic, and operating information. The demographic and economic information is intended to assist users in understanding the environment in which the Employee Retirement Plans operate. The operating information is intended to provide contextual information about the Employee Retirement Plans' operations to assist readers in using financial statement information. The demographic and economic information and the operating information presented include:

- Principal Participating Employers
- Retired Members by Benefit Type
- Average Benefit Amounts
- Retired Members by Type of Retirement
- Average Benefit Payments and Average Final Valuation Pay
- Schedule of Participating Agencies and Political Subdivisions

EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGE IN FIDUCIARY NET POSITION
JUNE 30, 2017
LAST TEN FISCAL YEARS
(dollars in thousands)

	2008	2009	2010	2011	2012
Additions					
Member contributions	$ 18,851	$ 18,245	$ 20,431	$ 18,592	$ 22,833
Employer contributions	117,686	109,567	113,958	109,344	107,855
Transfer of member account asset balances	-	-	31,530	-	-
Investment income (loss) (net of expenses)	(81,746)	(428,525)	304,185	510,018	117,692
Total additions	54,791	(300,713)	470,104	637,954	248,380
Deductions					
Benefit payments	147,027	168,618	169,089	178,792	202,773
Refunds	673	668	1,415	1,568	2,495
Administrative expenses	2,557	2,803	2,907	3,079	3,546
Total deductions	150,257	172,089	173,411	183,439	208,814
Change in net position	$ (95,466)	$ (472,802)	$ 296,693	$ 454,515	$ 39,566

EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF BENEFIT AND REFUND DEDUCTIONS FROM FIDUCIARY NET POSITION BY TYPE
JUNE 30, 2017
LAST TEN FISCAL YEARS
(dollars in thousands)

	2008	2009	2010	2011	2012
Type of Benefit					
Service benefits:					
Retirees	$ 105,369	$ 123,560	$ 122,861	$ 129,941	$ 150,413
Survivors	6,723	7,333	7,620	7,944	8,233
Disability	34,935	37,725	38,608	40,907	44,127
Total benefits	$ 147,027	$ 168,618	$ 169,089	$ 178,792	$ 202,773
Refund of Contributions	$ 673	$ 668	$ 1,415	$ 1,568	$ 2,495

2013	2014	2015	2016	2017
$ 24,854	$ 26,463	$ 26,627	$ 27,056	$ 27,940
127,888	144,710	151,302	134,806	95,399
-	-	-	-	-
307,859	534,397	67,071	57,676	413,347
460,601	705,570	245,000	219,538	536,686
208,804	229,664	230,647	230,696	235,124
1,925	4,330	2,874	5,887	6,473
2,401	2,954	2,685	3,014	3,186
213,130	236,948	236,206	239,597	244,783
$ 247,471	$ 468,622	$ 8,794	$ (20,059)	$ 291,903

2013	2014	2015	2016	2017
$ 153,566	$ 172,472	$ 171,785	$ 171,391	$ 175,049
8,602	8,586	8,982	9,017	9,334
46,636	48,606	49,880	50,288	50,741
$ 208,804	$ 229,664	$ 230,647	$ 230,696	$ 235,124
$ 1,925	$ 4,330	$ 2,874	$ 5,887	$ 6,473

RETIREMENT SAVINGS PLAN
SCHEDULE OF CHANGE IN FIDUCIARY NET POSITION
JUNE 30, 2017
LAST TEN FISCAL YEARS
(dollars in thousands)

	2008	2009	2010	2011	2012
Additions					
Member contributions	$ 8,118	$ 11,263	$ 8,871	$ 8,686	$ 8,435
Employer contributions	13,583	20,625	16,401	16,072	11,792
Transfer of member account asset balances	-	-	(31,530)	-	-
Investment income (loss) (net of expenses)	(8,383)	(26,722)	14,191	32,877	143
Total additions	13,318	5,166	7,933	57,635	20,370
Deductions					
Distributions	5,216	3,669	3,902	5,854	6,950
Administrative expenses	258	300	237	244	305
Total deductions	5,474	3,969	4,139	6,098	7,255
Change in net position	$ 7,844	$ 1,197	$ 3,794	$ 51,537	$ 13,115

RETIREMENT SAVINGS PLAN
SCHEDULE OF DISTRIBUTION DEDUCTIONS FROM FIDUCIARY NET POSITION
JUNE 30, 2017
LAST TEN FISCAL YEARS
(dollars in thousands)

	2008	2009	2010	2011	2012
Distributions	$ 5,216	$ 3,669	$ 3,902	$ 5,854	$ 6,950

2013	2014	2015	2016	2017
$ 8,274	$ 8,695	$ 9,728	$ 10,714	$ 10,303
15,629	17,117	18,502	19,682	19,782
-	-	-	-	-
23,716	42,432	7,493	500	43,598
47,619	68,244	35,723	30,896	73,683
9,389	11,682	12,694	10,055	15,220
201	197	235	181	267
9,590	11,879	12,929	10,236	15,487
$ 38,029	$ 56,365	$ 22,794	$ 20,660	$ 58,196

2013	2014	2015	2016	2017
$ 9,389	$ 11,682	$ 12,694	$ 10,055	$ 15,220

DEFERRED COMPENSATION PLAN
SCHEDULE OF CHANGE IN FIDUCIARY NET POSITION
JUNE 30, 2017
LAST TEN FISCAL YEARS
(dollars in thousands)

	2008	2009	2010	2011	2012
Additions					
Member contributions	$ 17,294	$ 18,058	$ 17,029	$ 17,029	$ 14,974
Investment income (loss) (net of expenses)	(9,378)	(44,479)	19,411	42,988	286
Total additions	7,915	(26,421)	36,440	60,017	15,260
Deductions					
Distributions	15,714	13,391	8,723	16,178	17,688
Administrative expenses	-	-	-	-	-
Total deductions	15,714	13,391	8,723	16,178	17,688
Change in net position	$ (7,799)	$ (39,812)	$ 27,717	$ 43,839	$ (2,428)

DEFERRED COMPENSATION PLAN
SCHEDULE OF DISTRIBUTION DEDUCTIONS FROM FIDUCIARY NET POSITION
JUNE 30, 2017
LAST TEN FISCAL YEARS
(dollars in thousands)

	2008	2009	2010	2011	2012
Distributions	$ 15,714	$ 13,391	$ 8,723	$ 16,178	$ 17,688

2013	2014	2015	2016	2017
$ 18,229	$ 17,011	$ 19,229	$ 18,761	$ 19,511
34,096	48,864	15,259	(63)	47,590
52,325	65,875	34,488	18,698	67,101
19,847	25,506	26,123	22,374	25,666
-	-	-	-	-
19,847	25,506	26,123	22,374	25,666
$ 32,478	$ 40,369	$ 8,365	$ (3,676)	$ 41,435

2013	2014	2015	2016	2017
$ 19,847	$ 25,506	$ 26,123	$ 22,374	$ 25,666

EMPLOYEES' RETIREMENT SYSTEM
PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
JUNE 30, 2017

	2017*		2008	
Participating Government	**Covered Employees**	**Percentage of Total System**	**Covered Employees**	**Percentage of Total System**
Montgomery County	5,586	97.4%	4,880	96.2%
Town of Chevy Chase	1	0.0%	5	0.1%
Strathmore Hall	11	0.2%	7	0.1%
Housing Opportunities Commission	133	2.3%	140	2.8%
Revenue Authority	4	0.1%	14	0.3%
Washington Suburban Transit Commission	-	-	1	0.1%
Montgomery County Employees Federal Credit Union	2	0.0%	8	0.2%
State Department of Assessment and Taxation	-	-	3	0.1%
District Court	1	0.0%	2	0.1%
Total	5,738	100%	5,060	100%

* Includes GRIP participants

EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF RETIRED MEMBERS BY BENEFIT TYPE
JUNE 30, 2017

Fiscal Year	Retiree	Disability	Survivor	Total
2008	3,905	1,021	380	5,306
2009	3,957	1,036	386	5,379
2010	4,132	1,079	380	5,591
2011	4,245	1,074	393	5,712
2012	4,309	1,077	438	5,824
2013	4,412	1,101	448	5,961
2014	4,669	1,121	452	6,242
2015	4,807	1,125	448	6,380
2016	4,882	1,126	445	6,453
2017	4,947	1,116	453	6,516

EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF AVERAGE BENEFIT AMOUNTS
JUNE 30, 2017

Fiscal Year	Retiree	Disability	Survivor	Total
2008	$26,983	$34,216	$17,692	$27,710
2009	31,226	36,414	18,997	31,347
2010	29,734	35,781	20,052	30,243
2011	30,610	38,088	20,214	31,301
2012	34,907	40,972	18,797	34,817
2013	34,807	42,357	19,201	35,028
2014	36,940	43,360	18,995	36,793
2015	35,736	44,337	20,049	36,152
2016	35,107	44,660	20,263	35,750
2017	35,385	45,467	20,605	36,084

EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF RETIRED MEMBERS BY TYPE OF RETIREMENT
JUNE 30, 2017

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [a]			Option Selected [b]						
		1	2	3	1	2	3	4	5	6	7
Deferred	480										
$ 1 – $ 500	469	404	59	6	242	112	15	7	37	16	40
501 – 1,000	567	434	112	21	253	129	29	17	43	34	62
1,001 – 1,500	655	493	98	64	269	-	26	22	51	46	100
1,501 – 2,000	577	441	57	79	222	138	20	29	22	48	98
2,001 – 2,500	603	447	42	114	235	137	17	34	19	55	106
2,501 – 3,000	541	404	26	111	184	116	12	28	28	59	114
3,001 – 3,500	526	362	23	141	178	119	8	22	23	68	108
3,501 – 4,000	471	338	10	123	147	119	4	20	16	70	95
Over 4000	2,107	1,624	26	457	879	449	9	102	60	320	288
Total	6,996	4,947	453	1,116	2,609	1,460	140	281	299	716	1,011

Notes:

[a] Type of retirement:
1—Retiree
2—Beneficiary
3—Disabled Retiree

[b] Option selected:
Option 1—Modified Cash Refund
Option 2—Certain and Continuous
Option 3—Life Annuity
Option 4—Joint and Survivor 50%
Option 5—Joint and Survivor 100%
Option 6—Other Joint and Survivor Options
Option 7—Social Security Adjustment Options

EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF AVERAGE BENEFIT PAYMENTS AND AVERAGE FINAL VALUATION PAY
LAST TEN FISCAL YEARS

	Years Credited Service						
Retirement Effective Dates	0–5	5–10	10–15	15–20	20–25	25–30	30+
Period 7/1/2007 to 6/30/2008							
Average monthly benefit*	$ 2,994	$ 3,061	$ 1,180	$ 2,287	$ 2,927	$ 3,466	$ 4,330
Average final valuation pay**	$ 50,803	$ 66,024	$ 62,986	$ 73,335	$ 78,696	$ 74,908	$ 74,647
Number of retired members***	1	8	18	58	60	57	87
Period 7/1/2008 to 6/30/2009							
Average monthly benefit*	$ -	$ -	$ 2,821	$ 2,760	$ 3,560	$ 4,309	$ 5,425
Average final valuation pay**	$ -	$ -	$ 77,385	$ 77,304	$ 88,521	$ 87,167	$ 98,906
Number of retired members***	-	-	5	20	21	16	12
Period 7/1/2009 to 6/30/2010							
Average monthly benefit*	$ -	$ 3,212	$ 2,747	$ 2,815	$ 3,548	$ 4,008	$ 5,289
Average final valuation pay**	$ -	$ 63,839	$ 82,064	$ 83,152	$ 85,524	$ 83,495	$ 86,947
Number of retired members***	-	6	6	43	49	39	68
Period 7/1/2010 to 6/30/2011							
Average monthly benefit*	$ 1,965	$ 3,412	$ 2,674	$ 3,091	$ 3,303	$ 4,136	$ 5,079
Average final valuation pay**	$ 46,807	$ 65,268	$ 65,263	$ 85,031	$ 82,627	$ 88,067	$ 84,544
Number of retired members***	1	4	5	37	80	50	57
Period 7/1/2011 to 6/30/2012							
Average monthly benefit*	$ -	$ -	$ 1,738	$ 1,840	$ 3,020	$ 5,064	$ 5,546
Average final valuation pay**	$ -	$ -	$ 56,551	$ 61,633	$ 80,696	$ 98,400	$ 90,742
Number of retired members***	-	-	3	14	30	34	57
Period 7/1/2012 to 6/30/2013							
Average monthly benefit*	$ -	$ 331	$ 1,595	$ 2,147	$ 3,063	$ 4,641	$ 5,845
Average final valuation pay**	$ -	$ 50,497	$ 56,936	$ 72,901	$ 76,904	$ 90,509	$ 94,904
Number of retired members***	-	1	5	17	46	38	69
Period 7/1/2013 to 6/30/2014							
Average monthly benefit*	$ -	$ -	$ -	$ 2,636	$ 2,941	$ 4,552	$ 5,790
Average final valuation pay**	$ -	$ -	$ -	$ 71,521	$ 75,097	$ 90,425	$ 92,772
Number of retired members***	-	-	-	17	53	98	71
Period 7/1/2014 to 6/30/2015							
Average monthly benefit*	$ -	$ -	$ 2,231	$ 1,654	$ 3,273	$ 4,388	$ 5,062
Average final valuation pay**	$ -	$ -	$ 72,858	$ 62,439	$ 82,958	$ 90,297	$ 91,982
Number of retired members***	-	-	1	11	49	74	57
Period 7/1/2015 to 6/30/2016							
Average monthly benefit*	$ -	$ -	$ 1,697	$ 2,309	$ 3,054	$ 4,510	$ 5,274
Average final valuation pay**	$ -	$ -	$ 65,941	$ 74,376	$ 84,079	$ 94,265	$ 99,878
Number of retired members***	-	-	6	5	32	63	37
Period 7/1/2016 to 6/30/2017							
Average monthly benefit*	$ -	$ -	$ 1,953	$ 2,427	$ 3,325	$ 4,362	$ 4,991
Average final valuation pay**	$ -	$ -	$ 76,592	$ 74,271	$ 85,297	$ 96,041	$ 90,799
Number of retired members***	-	-	12	5	27	60	39

* Based on current benefits only, and does not take into account any future benefits. Includes total benefit amount for insured retirees (including the benefit amount that is paid by Aetna).
** Pay used for last valuation (when member was an active employee).
*** Only includes participants who went from active to retiree status. Excludes disability retirees.

Beginning with periods after 7/1/2011, counts include members that were in DRSP or DROP in the previous valuation and were retired in the current valuation.

SCHEDULE OF PARTICIPATING AGENCIES AND POLITICAL SUBDIVISIONS EMPLOYEES' RETIREMENT SYSTEM RETIREMENT SAVINGS PLAN

Town of Chevy Chase
Strathmore Hall Foundation, Inc.
Housing Opportunities Commission of Montgomery County
Montgomery County Revenue Authority
Washington Suburban Transit Commission
Montgomery County Employees Federal Credit Union

Certain employees of the:
- State Department of Assessments and Taxation
- District Court of Maryland